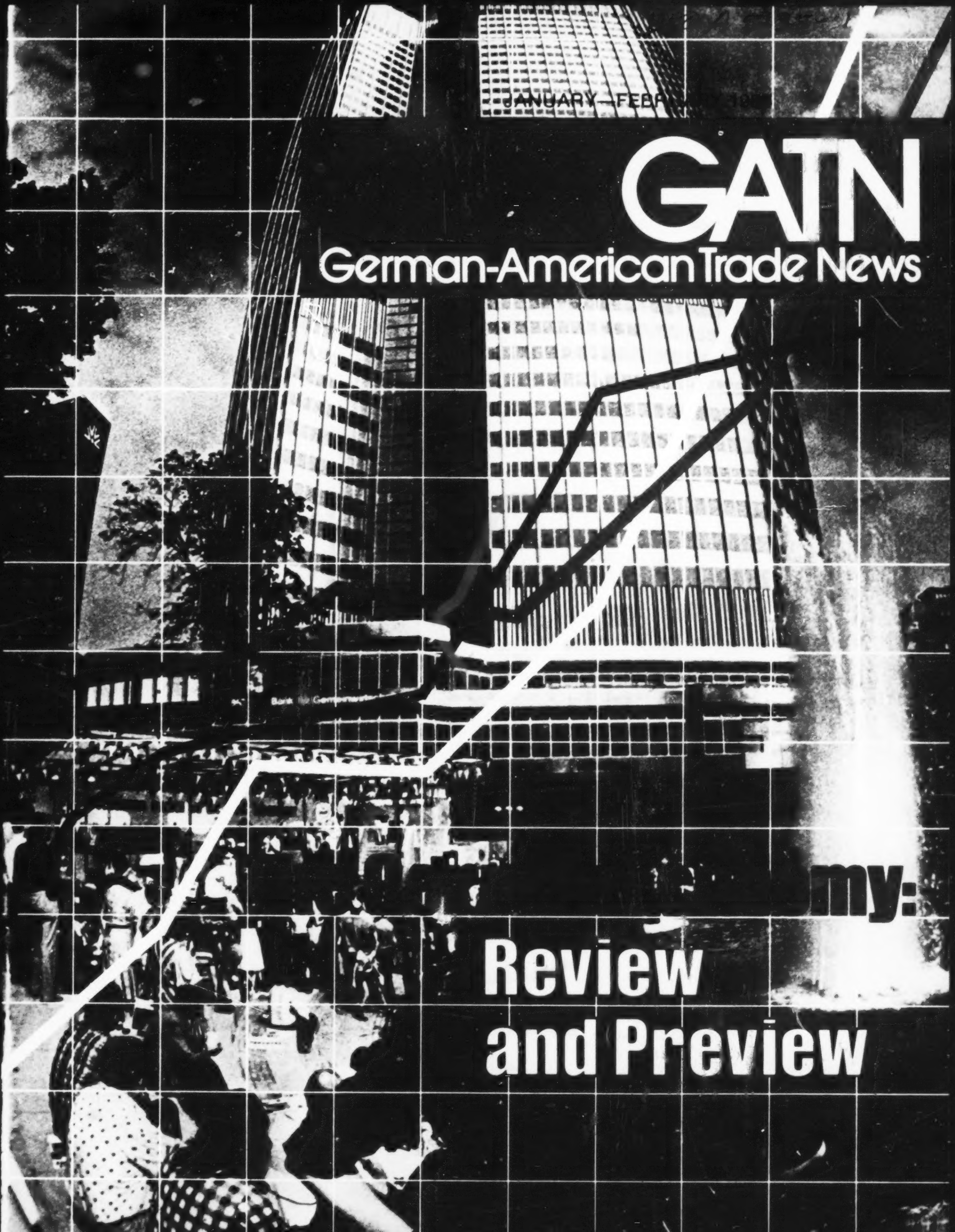

JANUARY—FEBR[illegible]

GATN
German-American Trade News

[illegible]my: Review and Preview

For 1980, Mercedes-Benz introduces the most relentlessly efficient automobiles in its history.

Dramatic fuel mileage gains of from 14.3* to 33.3 percent in gasoline models—without downsizing bodies or engines a whit. All five Diesels gain new power—without spoiling their famed fuel efficiency. A remarkable engineering accomplishment. But just what you'd expect from Mercedes-Benz in times like these.

Stringent efficiency is no sudden demand to the engineers of Mercedes-Benz. For 94 years they have built cars with little else in mind.

For 1980, these engineers have inched the standards up another notch. The result: eleven automobiles that stand as the most relentlessly efficient Mercedes-Benz has ever built.

Evolution, not revolution.

This new peak was reached without panic. Without downsizing bodies or cutting engine capacity. Without cutting hundreds of pounds of weight.

And without cutting corners in safety or comfort or quality. From the solid "clump" when you shut a door, to the deep safety padding that envelops the cabin, down to the last lovingly hand-rubbed enamel coat, you can rest assured a Mercedes-Benz is still a Mercedes-Benz.

Through meticulous technical refining, it is simply an even more efficient Mercedes-Benz.

Diesels—and more power to them.

In any ordinary year, it would be major news that Mercedes-Benz engineers had boosted the performance of their Diesel-powered cars.

And boost it they did—to a healthy degree. The muscular 300 SD Turbodiesel is even more muscular. The five-cylinder 300 TD Station wagon, 300 CD Coupe and 300 D Sedan move more briskly. The 240 D Sedan enjoys new punch.

But 1980 is no ordinary year. The best news is that the legendary Diesel fuel efficiency remains legendary. The economy of the 240 D remains in the rarified air usually reserved for compacts and mini-cars. For 1980, the 240 D with manual transmission has an EPA estimate of 28 mpg. That beats every compact, mid-size and large car listed in the official EPA fuel economy information for 1980, published September 7, 1979.

All of this has been accomplished without tampering with the 240 D's solid 1.5 tons or its first-class accommodations.

The 300 SD Turbodiesel gains a full 10 horsepower, further increasing its lead as the most efficient Diesel yet installed in a car. But while performance soars, fuel mileage remains the same as last year. Compare this to other cars. Your mileage may differ depending on speed, weather conditions and trip length*. Mercedes-Benz engineers did enjoy a rather unfair advantage over other engineers working on other 1980 Diesel cars: the advantage of a 44-year Diesel heritage.

The pleasant shock of efficiency.

Mercedes-Benz offers the American buyer a choice of six gasoline-powered automobiles again in 1980. All six remain object lessons in advanced design.

But the connoisseurs who always admired the 450 SEL Sedan as the *ne plus ultra* of automotive travel get a bonus in 1980. So do advocates of the six-cylinder 280 E and 280 SE Sedans, and 280 CE Coupe. And enthusiasts of the 450 SL Roadster and 450 SLC Coupe may also be in for a pleasant shock.

In these cars for 1980, fuel efficiency gains some makers might be pleased to achieve in two, three or five years have been achieved in one. Advances ranging from a 14.3* percent increase in fuel mileage for the 280 E and 280 SE Sedans, up to a 33.3 percent gain in the 450 SEL Sedan, the 450 SL Roadster and the 450 SLC Coupe. Compare this to other cars. Your mileage may differ depending on speed, weather conditions and trip length.

Quality service: reaffirmed commitment

With every new Mercedes-Benz comes a dual commitment: to provide unparalleled engineering in its cars and to provide unparalleled service—through the unstinting efforts of over 400 authorized Mercedes-Benz dealers across the United States.

A challenge since 1886.

Every car maker today speaks of its cars being "right for the times." Mercedes-Benz is no exception.

But it is worth noting that Mercedes-Benz—having never let its cars grow too long and large and heavy—is not now forced into radical redesign to bring them back in line.

Making its cars more efficient does not loom as "the challenge of the eighties" at Mercedes-Benz.

It has *always* been the challenge.

Engineered like no other car in the world

*California estimates vary.

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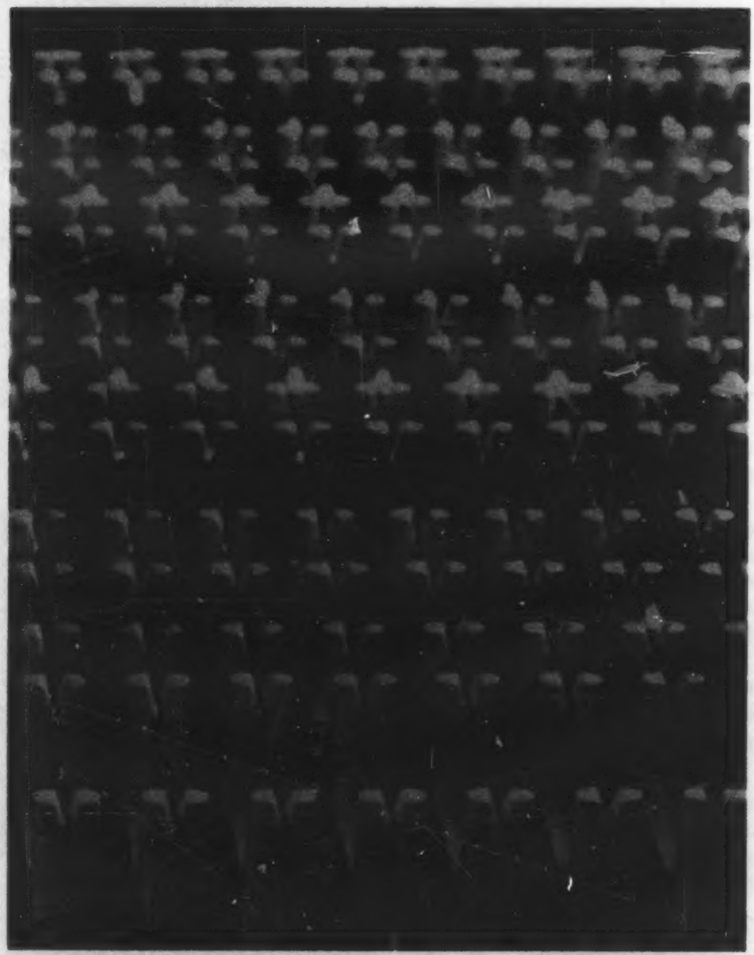

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Chamber Commentary

Landscape in black and white

The onset of a new decade traditionally provides a good excuse for dusting off the crystal ball and evoking lofty aspirations for human progress. The instinct is atavistic and seldom discouraged by comparing the predictions and hopes of ten years earlier with the subsequent realities of the world.

Seldom in the memory of this generation has the beginning of a new decade been attended by turmoil equivalent to what we now confront, and it promises to continue for the foreseeable future. Whether we look at political unrest in the Middle East, the energy crunch or the rush to gold, it is difficult to avoid the feeling that, as the American philosopher Ralph Waldo Emerson once observed, things are in the saddle, riding mankind. The impulse to paint a pessimistic landscape can be overwhelming and the urge to dip the brush into black and white on the palette most seductive.

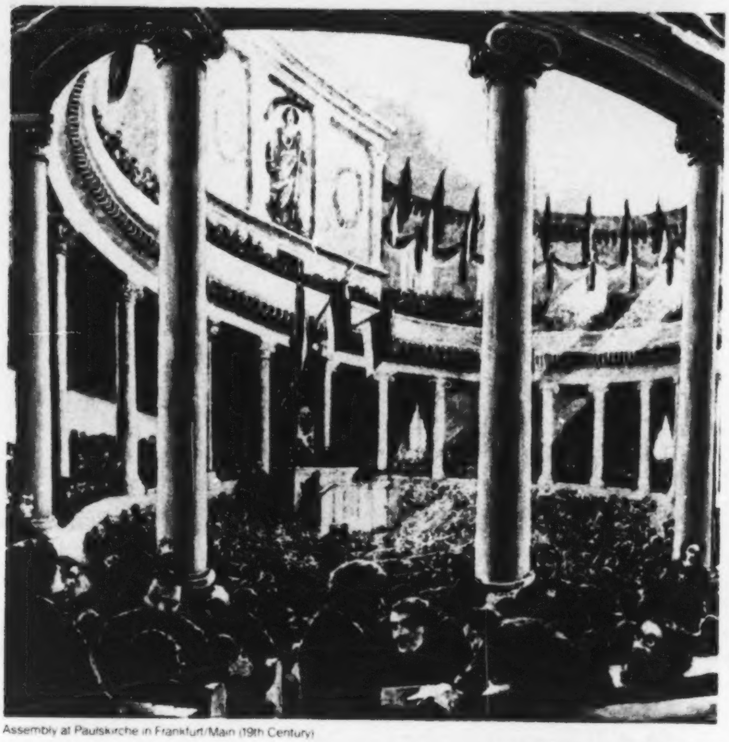
We submit that this temptation is tantamount to a self-fulfilling prophesy. Inflation has not been relegated to currencies; it appears to have seeped into our vocabulary too. It has become fashionable to describe problems as insurmountable, and problem areas as crises. It may be useful to put the world and ourselves into perspective, and a bit of oriental wisdom may help to define the terms of the environment. The Chinese ideograph for crisis is a combination of two characters: danger and opportunity. Like it or not, this may be an apt description of the era we enter. To wit, the challenges should be written in bold face, failure in lower case. Sound too optimistic? We think not.

We might point to one process begun seven years ago which was concluded with some success before the end of 1979. Launched in September 1973, the Tokyo Round of trade negotiations barely preceded the first oil crisis. It was generally perceived as the last opportunity to enact a true liberalization of world trade and involved six years of arduous negotiations in a sea of rising oil prices, balance of payments difficulties, monetary upheaval, inflation, unemployment, and protectionist advocacy.

The negotiations were punctuated by seemingly insurmountable conflicts of interest and quasi-ultimatums, and a breakdown was viewed as likely only this time last year. The new ground rules that emerged from the agreements reached have been interpreted by many critics as supporting "fair" as distinct from "free" trade. But an agreement, imperfect yet viable, was reached.

The Tokyo Round may not represent a beacon into the Eighties. We do submit, however, that it demonstrates the ability of nations to reach a consensus, to focus on the communality of issues and subordinate their disagreements to a future agenda. Whether the outcome of the Tokyo Round represents a victory of will power or a willo'-the-wisp remains to be seen. We view it as a sign that nations can still conduct civilized discourse in the middle of a big noise.

Great personal achievement has a lot in common with merchant banking at its best.



Assembly at Paulskirche in Frankfurt/Main (19th Century)

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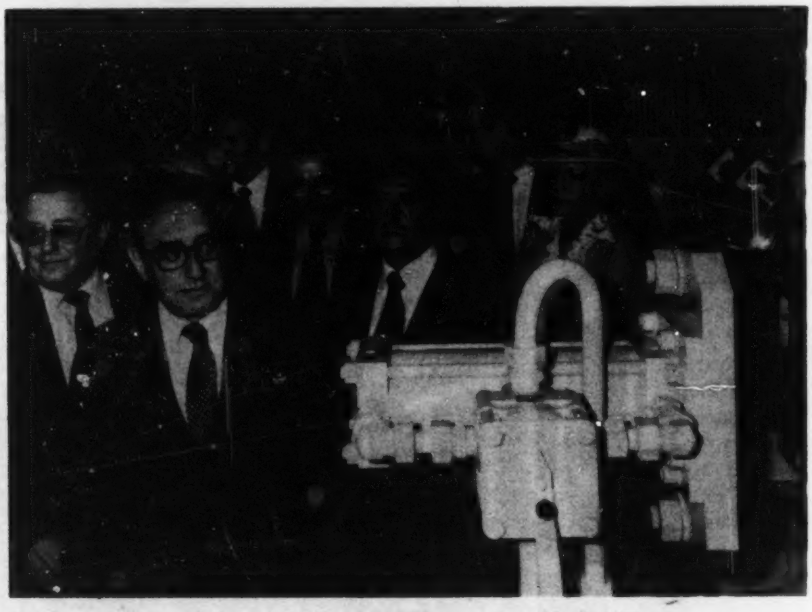
Trade Fairs



Dr. Henry Kissinger delivered the keynote address at Dusseldorf's K'79.

DUSSELDORF

What were over 7,500 Americans doing in Dusseldorf, West Germany, October 10-17, 1979? They came from across the country; the South, Northeast, Midwest and the Pacific Coast. They well represented a U.S. industrial cross section, and were all part of the 200,000 visitors who attended the K '79 Plastics and Rubber Fair from more than a hundred different nations.

K is organized by the Dusseldorf Fair Management, NOWEA, and is by far the largest plastics exposition in the world; it is held every four years at the magnificent 135-acre Dusseldorf fairgrounds. The K '79 event reflected a 25 percent increase in visitor attendance over K '75, the previous plastics and rubber fair held at Dusseldorf in October, 1975.

The 1,500 exhibitors also represented a broad international mix, and the business conducted at the many booths was described as very active. Actual negotiations and final sales are concluded at the Dusseldorf Fairs. In spite of the oil crisis, inflation and other uncertainties about the future economic trend, the show produced an abundance of sales activity. U.S. exhibitors found their products to be especially competitive and in most cases reported that actual sales activity far exceeded expectations. European exhibitors were equally pleased with the large turnout of U.S. and Canadian buyers.

The importance of U.S. participation at K '79 was highlighted by the presence of Dr. Henry Kissinger, who gave the keynote address at the grand opening cerem[illegible] Dr. Kissinger stated that he attended the fair because he thought it was named K for Kissinger (actually K stands for Kunststoff + Kautschuk: plastics and rubber). Dr. Kissinger spent several days at Dusseldorf. He toured the fairgrounds, attended numerous luncheons and receptions, and visited with the many European dignitaries on hand.

While the more than 7,500 U.S. visitors toured the K '79 fair they were confronted with the most comprehensive display of operating plastics machinery ever assembled at one location. Most equipment displayed was operating during the fair on a full-scale production basis. Every known material was also presented as well as tool making technology and all kinds of secondary operations and services.

Over 200 trade magazine editors attended K '79 to report on the latest plastic and rubber developments. The K fair also received continuous radio and television coverage in the German and European media. Several television stations conducted private interviews with Dr Kissinger.

While planning is now underway for K '83, it will be difficult to exceed the overall records established by K '79. The plastics industry, however, continually moves forward in spite of national and international recessions and material supply difficulties. It has, since its beginning, been the most dynamic industry in the world. The K '79 fair clearly demonstrated that the industry has reached a new level of sophistication. It now has a unique international characteristic that allows

John van Nes Ziegler and Dieter Ebert meet with New York's Mayor Koch

an immediate exchange of technology, processing know-how and manufacturing developments between the different nations of the world. This exchange is not limited to just the established industrial nations. The emerging nations were indeed present at K '79 and although most were in an equipment and materials purchase mood, others had sound technology to offer.

The developments between now and 1983 will again be demonstrated at Dusseldorf in the form of more advanced systems, materials and product applications. For those involved with plastics, K is indeed their world's fair.

COLOGNE

John van Nes Ziegler, Lord Mayor of the City of Cologne, and Dieter Ebert, Chief Executive of the Cologne Fair and Exhibition Corporation, arrived in New York on November 11th to host a series of major events to promote the international trade fairs and exhibitions held in Cologne. They were heading a delegation of executives from the Cologne Fair Management which included Hans Wilke, Managing Director, and Marianne Hollmann, Foreign Press Officer.

In liaison with the German American Chamber of Commerce, New York, the Lord Mayor and Dieter Ebert, along with the other Cologne officials, began their four-day visit with a reception atop the World Trade Center. Previous U.S. exhibitors and visitors to Cologne, along with future attendees, joined the Lord Mayor and Mr. Ebert in toasting the 2,000-year-old trading city and its important role in bringing U.S. exporters into an international marketplace.

The Lord Mayor and Mr. Ebert, Mr. Wilke and Mrs. Hollmann, also participated in a number of press conferences and receptions to inform editors of 1980 exhibitions.

These supported Photokina—The World's Fair of Photography, SPOGA/IFMA—the sporting goods, bicycle and motorcycle exhibition, and Orgatechnik—The International Office Trade Fair, as well as Domotechnica, and the International Housewares and Hardware Shows scheduled for February '80.

In addition, the Lord Mayor and Mr. Ebert had a special meeting with New York's Mayor Edward Koch. At City Hall, ideas and gifts from their respective cities were exchanged.

The Lord Mayor and Mr. Ebert together with the full delegation, which also included Dr. Hans Kindermann, Chairman of the Board, Mr. F.W. Rabenschlag of AGFA, Deputy Chairman, and Dr. H. von Werthern, Executive Director of the German Photographic Industry Association, concluded their New York City visit with an evening reception at Tavern on the Green to encourage the United States photographic industry to participate in Photokina, to be held in Cologne, September 12-18, 1980.

Departing from New York on November 16, the German executives flew directly to Tokyo to continue their around-the-world trip on behalf of the Cologne International Trade Fair and Exhibition Corporation. ▪

Fair Schedule 1980

The German American Chamber of Commerce has compiled a listing of the major trade shows to be held in Germany in 1980. The list includes all events of International significance in the Federal Republic's prominent trade fairs cities. Further information on individual fairs may be obtained from the Chamber.

BERLIN	14th International Tourism-Exchange—ITB Berlin	March 1-7
	BERLINER INTERCHIC Main Sampling	April 12-16 October 11-15
	International Pharmaceutical and Medico-Technical Exhibition	May 27-31
	18th Overseas Import Fair "Partners for Progress"	August 27-31
COLOGNE	DOMOTECHNICA—International Fair for Household Appliances, Fittings and Components	February 6-9
	International Housewares Fair	February 7-10
	International Hardware Fair	February 9-12
	International Men's Fashion Week	February 22-24 August 29-31
	International Trade Fair CHILDREN and YOUNG PEOPLE	March 7-9 October 10-12
	OPTICA International Trade Fair for Optics and Opthalmic	May 10-13
	photokina World's Fair of Photography	September 12-18
	IFMA International Bicycle and Motor Cycle Exhibition	September 20-23
	SPOGA International Trade Fair for Sports Goods, Camping Equipment and Garden Furniture	September 27-30
	International Garden Trade Fair	September 28-30
	ORGATECHNIK International Office Trade Fair	October 21-26
DUESSELDORF	ENVITEC International Trade Fair and Congress Progress in Environmental Technology	February 11-15
	IGEDO International Fashion Fair	March 9-12 April 20-24
	*with IGEDO-DESSOUS Trade Fair for Lingerie, Foundations and Swimwear	September 7-10* October 26-30
	GDS International Footwear Show	March 22-24 September 20-22
	METAV '80 Exhibition of Metal Processing	March 27-31
	iba International Bakery Exhibition	June 7-15
	hifi International High Fidelity Exhibition with Festival	August 22-28
	GLAS International Trade Fair for the Glass Industry	September 25-28
	INTERKAMA International Congress with Trade Fair for Instrumentation and Automation	October 9-15

	IGB International Trade Fair and Congress Industrial Cleaning-Factory Hygiene Building and Factory Maintenance	October 16–18
	HOGATEC International Trade Fair for Hotels, Restaurants and Catering	November 8–12
	MEDICA International Congress and Trade Fair—Diagnostica-Therapeutica-Technica	November 19–22
ESSEN	SECURITY '80 International Security Exhibition with Congress	September 15–19
FRANKFURT	International Trade Fair for Musical Accessories, Musical Instruments and Publishers of Music	February 23–27
	Frankfurt International Fair	March 2–6 August 31–September 3
	International Fur Fair	April 16–20
	INTERSTOFF	May 13–16 November 4–7
	IFFA International Meat Trade Fair	June 1–8
	AUTOMECHANIKA International Trade Fair for Equipment of Motor Car Workshops and Service Stations	September 18–23
	Book Fair	October 8–13
FRIEDRICHSHAFEN	INTERBOOT International Boat Show of Lake Constance	September 27–October 5
HAMBURG	InternorGa International Trade Exhibition for Hotels, Catering, Bakeries and Confectioners	March 14–19
	IOPPEC International Oil Pollution Prevention Exhibition and Conference	September 23–27
	Exhibition and Congress Ship, Machinery, Marine, Technology International	September 23–27
	EMTEC Trade Days European Marine Trade Exhibition	October 16–17
	German International Boat Show	October 18–26
	IDS International Dental Show	September 2–6
	Trade Exhibition on the Occasion of the 7th World Congress of Anaesthesiologists	September 14–19
	SOLARTECHNIK International Exhibition on Solar Energy	November 19–22
HANNOVER	Hanover Fair	April 16–24
	ILA International [illegible]pace Exhibition	April 24–May 1
MUNICH	INHORGENTA Inter[illegible]nal Trade Fair for Watches, Clocks, Jewelry, Precious Ston[illegible] and Silverware with their Manufacturing Equipment	February 9–12
	ISPO International Sports Equipment Fair	February 21–24 August 28–31
	MODE-WOCHE-MUENCHEN International Fashion Fair	March 23–27 October 5–9
	BAUMA International Trade Fair for Construction Equipment and Building Material Machines	April 10–16
	ANALYTICA International Exhibition for Biochemical and Instrumental Analysis	April 29–May 2
	IKOFA International Trade Fair of the Food Industry	September 19–24
	ELECTRONICA International Trade Fair for Components and Assemblies in Electronics	November 6–12
NUREMBURG	International Toy Fair	February 2–8
OFFENBACH	International Leather Goods Fair	March 1–4 April 26–29 October 19–21

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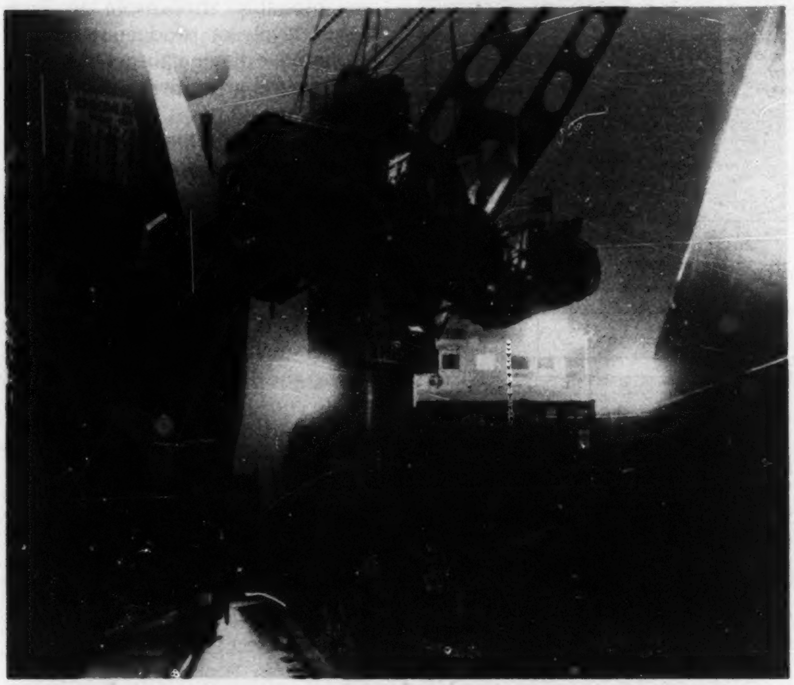
The German Economy: Review and Preview



Exports were a major source of strength in the Federal Republic's robust economic performance last year.

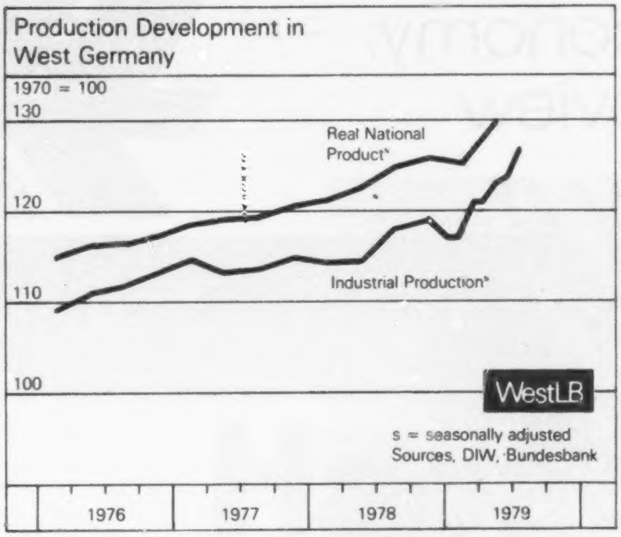
As the new year and a new decade begins, the season for taking stock and looking ahead is mandated by the calendar. The past year proved to be a good one for the economic forecasting profession in Germany, with the bottom line in overall performance by the West German economy falling pretty much in line with expectations. Surprisingly—in light of the increasingly volatile and uncertain energy equation—there is consensus among economists and institutions in the Federal Republic that 1980 will also turn in a fairly respectable record. Notwithstanding this restrained optimism, concerns over the future course of consumer sentiment and capital investment, among others, represent major question marks for the future.

Given the truism of global interdependence, the course of the German economic ship of state will clearly be subject to adjustment for tempests and squalls in the global economy. With respect to the world at large, a generally sober tone prevails, with accelerating inflation and torpid economic growth the dominant theme in most countries. For example, the Bank of America, in its *Economic Outlook 1980: Global Report*, forecasts that the world economic growth rate will slow to 3 percent in 1980, while world-wide inflation will generally remain in the double-digit range. Citing the soaring cost of crude petroleum prices as the primary source of anticipated global difficulties, the report anticipates that world trade, adjusted for inflation, will probably fall sharply, with export growth declining to little more than 1 percent in 1980. The report predicts that the United States' gross national product will show almost no growth in 1980, although its current account balance will be one of the few among the non-OPEC nations which will not deteriorate. Bank of America looks for the greatest changes in account balances to occur in Germany, Japan, and the United States.

Overview and review

Is the Federal Republic's economy a proverbial "engine that couldn't stop?" Hardly, but the momentum generated over the past three years, aided by prudent fiscal and monetary policies as well as firm demand from its European Community trading partners, seems likely to keep the spark glowing through the next twelve months.

Although 1979 got off to a weak start, largely due to severe winter weather, overall growth amounted to some 4.4 percent, a healthy advance over the 4 percent median forecast late in 1978, a figure that was itself considered by many to be overly optimistic at the time. Industrial production alone increased during the first seven months by 5.5 percent and by an even heftier 8 percent during the



three-month period from May to July. This reflects a salient characteristic of 1979's performance which has contributed to the relatively bright tone of the 1980 forecast: the upswing last year gained momentum through the summer and fall. It is now being sustained by four sectors—investment in plant, investment in capital equipment, exports, and inventory accumulation.

The robust pace of construction activity was slowed only momentarily by harsh weather early in the year. The construction boom, now some three years old, was maintained by the strong demand for residential construction as well as by the speedy allocation by Bonn of funds for public works projects as part of its medium-term investment program; these two sources of demand acted to create a large backlog of orders by the end of 1978, a backlog which rose again by one-third in mid-1979. Indeed, one measure of the current vigor in construction is the common complaint that there is a lack of skilled labor.

The 11 percent gain in investment in equipment and machinery by the end of the first half can also be attributed to the unusually benign investment climate in the private sector. New orders to manufacturing industry were 8.5 percent higher in the first seven months of 1979. Exports showed an impressive 12.5 percent gain, while overall orders in hand went up by 14 percent in the first quarter and 16 percent in the second. Germany's Commerzbank reports that capacity utilization in many industries exceeded 90 percent by the end of the year.

The vigorous upturn in domestic demand complemented a rising swell of export orders. In spite of the high levels already attained, the large backlog of requirements built up in previous years will undoubtedly continue the momentum achieved last year well into 1980. In addition to expansion and rationalization, there is a pressing need to install more energy-efficient equipment as the price of oil and electricity soars. Commerzbank reports that, as of end-1979, there were indications of "astonishingly" large orders involving new products and processes. The electrical engineering and automotive industries also turned in strong performances.

In its fall *Quarterly Economic Report*, the Westdeutsche Landesbank Girozentrale (WestLB) cited two other mainsprings in the robust 1979 business scene. First of all, there was a noticeable improvement in the economies of most other Western European countries, due at least in part to heavier demand for imports in West Germany. As a result, during the first seven months of the year imports jumped by an inflation-adjusted 10 percent, followed closely by a real hike of 9 percent in exports. By the end of 1979, demand from abroad had become especially vigorous in the raw materials, semi-manufactures and consumer goods sectors.

The second source of demand, according to WestLB, was provided by a heavy buildup in inventories, which was probably attributable to both higher levels of production and to pre-emptive buying to get the jump on expected price increases.

Pressures on the consumer

On the other hand, private consumption, which has been one of the pillars of the German economy in recent years, provided modest stimulus relative to the other sectors. Most observers attribute this phenomenon in large part to the ravages of higher oil prices on consumer buying power. During the first six months of 1979, private consumption grew by 3.5 percent, about the same rate as during the previous three years. But in July retail sales actually dropped below the 1978 level.

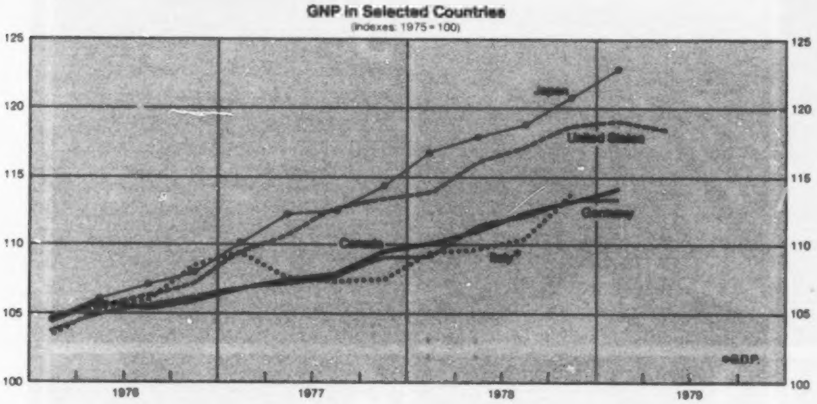
The traditional German fear of inflation was revived last year as prices started moving up. According to estimates by the Statistisches Bundesamt, the rate of inflation rose above 5 percent in September. While this may seem low in comparison to the United States and most other countries, it is a level that arouses deep concern in the German psyche. In large part, the rise was attributable to the increase in the Value Added Tax (effective July 1) and the soaring cost of imports, particularly oil. Actual price movement last year was also magnified by the low basis of comparison from 1978, an exceptionally favorable period due to falling import prices and good harvests. Most experts believe that inflation probably declined towards the end of the year as this basis effect petered out and the revaluation of the mark was reflected in lower import prices. For 1979 as a whole, it estimated that the average rate of increase for consumer prices came to between 4 and 4.5 percent, compared with only 2.6 percent the previous year.

As might be expected, this vigorous business climate had a positive impact on the labor market. In September 736,800 people were registered as unemployed, 127,000 less than 12 months earlier. The unemployment rate thus stood at 3.2 percent, declin-

The Munich headquarters of electrical giant Siemens AG.

ing from 3.5 percent in August and 3.8 in September 1978. Another measure of progress can be found in the number of unfilled job openings. At 320,000, the figure was 27 percent higher than in September a year ago. But these numbers, if anything, probably understate the easing of the labor market. The full extent of the improvement can be gauged more fully by noting the rise of some half a million in the employment rolls of wage and salary earners within a year.

This strong increase in employment led to a steep rise in income, almost 7.5 percent. This growth should provide substantial support for the business cycle since it was not accompanied by corresponding increases in company unit costs: over the first half of 1979, they rose only 1.6 percent above the previous year's level.



Restrained optimism reigns

And what about 1980? First, all estimates presuppose the major qualification of the direct and indirect effect of OPEC oil-pricing and even availability. The situation in Iran has served to underline the volatility of the region from which Western Europe imports nearly all of its oil, and sharp hikes in oil prices over the next twelve months could easily unbalance even the most carefully calculated economic equations. Even at current levels, the high cost of oil has drained a substantial portion of purchasing power from the individual consumer in Germany and abroad; it remains to be seen whether 1980 will witness a major cutback in private consumption due to continued pressures from this sector.

The current prognosis also rests upon the assumption that the expected recession in the United States will be mild and of brief duration. Domestically, the strong impulses from the automotive and construction industries—and their ripple effect throughout the economy—are likely to subside. Residential building in particular is likely to recede in the face of high mortgage rates and soaring materials costs, while the four-year boom in the automobile industry has already shown unmistakable signs of having reached a plateau.

Even given these major caveats, the consensus of most private and official forecasts falls within a surprisingly narrow spectrum. Considering the strong base against which growth will be measured, the expected declines in most areas of economic performance still add up to a relatively optimistic prognosis.

The minimum expectation for real growth this year ranges from 1 to 2.5 percent; not unexpectedly, the brightest prediction emanates from official quarters where the Ministry of Economics looks for a full 2.5 percent increase in gross national product this year.

Bonn's expectation that real capital spending will grow by 7 to 8 percent is also slightly brighter than the estimate of Deutsche Bank, which sees outlays for capital equipment growing by some 7 percent and plant investment by 3.5 to 4 percent. Both private and official forecasts for growth in private consumption coincide at about 2.5 percent, although the Council of Economic Experts looks for this figure to drop to 2 percent. Finally, the Ministry of Economics calculates that this year's rate of inflation will drop to 4 percent, as compared with the estimate of 4.5 percent by most private economists in the Federal Republic.

Viewed as a whole, the scenario is soberly optimistic, but the underlying assumptions appear to be realistic. The imponderables derive largely from the oil price conundrum, where all forecasts lie in a region somewhere between hope and pessimism. Still, the relatively narrow band separating the high and low sides encourage the hope that 1980 will again prove to be a good one for the league of economic forecasters. ■

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Interview with Lane Kirkland, President, AFL-CIO

GATN: Mr. Kirkland, first of all, the German American Chamber of Commerce wants to express its congratulations on your election to the presidency. No one expects dramatic changes under your leadership, but could you outline in general terms the areas which you would like to emphasize in the next few years?

Kirkland: Thank you for your good wishes. I have nothing up my sleeve. I've been in a position to lay my ideas and recommendations on the table for quite a few years in the policy-making councils of the AFL-CIO, and I shall continue to do that.

We have a great deal of unfinished business. There is, for instance, the goal of national health insurance, which the labor movement has advocated for a long time and which still has not been achieved. We will continue to pursue that and other long-term social goals.

The American labor movement is part of the changing American society, and our country's problems are our problems. Controlling inflation, heading off recession and unemployment and overcoming the energy crisis are at the head of our agenda. The national accord recently negotiated with the Carter Administration lays the basis for an enhanced role for labor in helping to develop national economic and social policy, and we mean to make the most of it and contribute all we can to the resolution of the nation's central problems.

GATN: Douglas A. Fraser, head of the United Auto Workers Union has been nominated for election to the Board of Directors of Chrysler Corporation. Is this, in your opinion, a first step toward co-determination "the American way", compared to co-determination in Germany? Should representatives of American workers take responsibility in major management decisions, as for example in whether to build or close plants?

Kirkland: The AFL-CIO has no hard and fast policy on co-determination because we look on it as an issue to be decided between individual companies and the individual unions that represent their employees. In general, union representation is far more effective when conducted through the traditional collective-bargaining negotiations. The only issues I know of that might be dealt with more effectively in the board room than at the bargaining table are the issues of plant closure and relocation and overseas investment versus investment in the U.S. economy. If union participation in boards of directors leads to more social responsibility by business on those issues, it might be useful. But I am not convinced directors are the real source of decision-making power in most corporations.

GATN: Some corporations in this country are successful in keeping labor unions out of their plants. Why are these corporations successful and what can the union leadership do to improve this situation from their standpoint?

Kirkland: If defiance of the nation's labor laws, ruthless coercion and denial of legal and human rights add up to success, then some corporations have indeed been successful. An epidemic, a plague, of unlawful anti-union activity has been under way on the American labor-management scene for some years. The AFL-CIO and its affiliates are responding massively to the challenge, and we are making some headway. Our chief weapon is public exposure of the tactics and techniques of the so-called "management consultants" who do the dirty work.

Our campaign for labor law reform in 1978 was supported by the Administration and by clear majorities in both the Senate and House. It failed because the Senate fell one vote short of the 60 percent needed to stop a filibuster against the bill. Getting that one extra vote, in the light of the overwhelming body of evidence we are developing and publicizing, should not take forever.

GATN: German investors have been very active in this country in the last couple of years. While most of them have taken an open and friendly approach toward the American unions, some might prefer a non-unionized plant in this country. What kind of advice would you give a German investor concerning the question of unionization?

Kirkland: I would recommend that all employers, foreign and domestic, obey the law, allow their employees to make up their own minds about whether or not to join and organize a union, and abide by the decision they reach through the democratic machinery spelled out in the National Labor Relations Act.

I would invite the prospective foreign investor to study the experience of employers who negotiate honorably with their employees' unions and those who try to subvert and destroy those unions. There is no escaping the fact that the industries in which unions are most highly organized and in which collective bargaining is most highly developed are more productive, more profitable, and more stable in terms of labor turnover.

I would urge German investors to follow the example of Volkswagen, which has negotiated routinely with the employees in its new U.S. plant since they voted 800 to 70 for union representation.

Nobody pretends that collective bargaining can provide instant solutions for all problems or that stable collective bargaining relationships can be developed overnight. Such relationships evolve over time. But without orderly channels for negotiation, for effective redress of grievances, mutual education and understanding, they don't develop at all.

GATN: Most union contracts have a 3-year term. As you know, in Germany most union contracts are only 1-year contracts. What are the advantages, and maybe disadvantages, of the 3-year contracts?

Kirkland: In a period of economic stability, both managements and unions appear to prefer longer contracts which permit longer-range economic planning on the part of both companies and families, eliminate much uncertainty and reduce "crisis-bargaining" periods. Since most union negotiating committees are made up of volunteers who contribute a great deal of time and work without compensation, they naturally prefer not to go to the bargaining table more often than necessary.

In times of economic uncertainty, unions negotiate cost-of-living protection if they can and negotiate shorter terms if they must. At the end of the Nixon economic control period, the average length of term of newly-negotiated contracts was 25 months. It rose to 33 months about a year ago and has again declined to 27 months, which reflects declining confidence in the nation's economy on both sides of the table. ■

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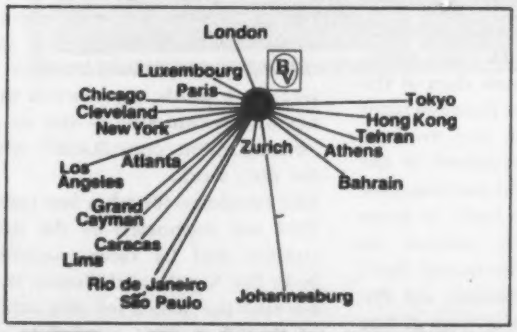

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German-American Economic Review in Figures

	Federal Republic of Germany					United States				
	1977	1978	1979			1977	1978	1979		
			Aug.	Sept.	Oct.			Aug.	Sept.	Oct.
FOREIGN TRADE (in mil.$)										
Imports	101,457	121,822	12,970	12,955	15,736	147,644	172,020	18,177	18,666	18,856
Exports	118,070	142,296	13,503	14,010	16,744	120,107	143,570	15,821	15,832	16,838
Balance on merchandise trade	16,613	20,474	533	1,055	1,008	−27,537	−28,450	−2,356	−2,834	−2,018
U.S.-GERMAN TRADE (in mil.$)										
U.S. imports from Germany	7,868	10,042	869	819	1,058	7,215	9,961	1,024	766	803
(+)(−) % from previous year	37.1	27.6	15.4	−5.3	−1.6	29.0	38.1	22.0	8.7	−4.0
U.S. exports to Germany	7,330	8,726	873	799	1,122	5,823	6,815	655	666	833
(+)(−) % from previous year	4.9	18.9	11.9	18.4	35.3	4.2	17.0	22.7	−15.8	24.6
Balance on U.S.-German trade	530	1,316	−4	20	−64	−1,393	−3,146	−369	−100	30
INDUSTRIAL PRODUCTION										
(+)(−) % from previous year	2.7	2.6	5.2	5.8	2.4	5.6	5.8	2.4	2.5	1.9
Iron and steel	−4.8	5.8	11.0	8.3	7.5	−1.4	9.5	−5.7	−5.	—
Machines, exc. elec.	−0.3	0.2	−0.4	1.6	5.7	7.3	7.5	6.8	5.97	2.2
Electrical machinery and equipment	7.3	1.1	−3.7	1.3	0.7	7.8	8.7	6.1	6.6	6.8
Chemicals	0.4	5.2	5.3	5.8	2.0	6.7	5.5	6.9	5.6	5.5
Road motor vehicles	8.4	2.3	8.6	1.7	−0.8	13.5	5.4	−20.3	−12.6	−14.6
Textiles	−1.5	−1.1	−8.2	4.6	2.3	0.5	2.1	4.5	4.7	5.4
Apparel	−4.1	−3.2	7.6	2.8	−3.3	1.6	1.7	−5.4	−6.1	—
LABOR MARKET										
Population (in mil.)	61.4	61.3	—	—	—	216.8	218.5	220.6	220.8	—
Civilian labor force (in 1000)	25,044	25,209	25,398	—	—	97,401	100,420	103,049	103,498	103,474
Unemployed (in 1000)	1,030	993	799	737	762	6,855	6,047	6,149	5,985	6,182
Unemployment rate (in %)	4.5	4.4	3.5	3.2	3.3	7.0	6.0	6.0	5.8	6.0
Gross hourly wages in manufacturing (in DM or $)	11.27	11.88	—	—	—	5.68	6.17	6.74	6.77	6.83
(+)(−) % from previous year	7.4	5.4	—	—	—	8.8	8.6	8.9	8.9	8.8
PRICES (+)(−) % from previous year										
Consumer Price Index	3.9	2.6	4.7	5.1	5.3	6.5	7.7	11.8	12.1	12.2
Producer prices for ind. products	2.6	1.2	5.9	6.2	6.5	7.0	7.3	13.7	14.7	15.7
CURRENCY EXCHANGE RATES (avg.)										
Value of $1.00 in DM	2.3217	2.0084	2.8291	1.7955	1.7889					
Value of DM 1.00 in $						0.4308	0.4987	0.5487	0.5576	0.5588

	1977	1978	1978-1979				1977	1978	1978-1979			
			IV	I	II	III			IV	I	II	III
NATIONAL ACCOUNTS												
Gross National Product at current prices (in bil. DM or $)	1,194	1,283	1,403	1,257	1,358	—	1,887	2,107	2,235	2,292	2,330	2,395
(+)(−) % from previous year, real terms	2.6	3.4	3.7	3.8	4.4	—	4.9	4.0	4.8	4.6	1.9	1.7
Balance on current account (in mil. DM or $)	9,831	17,584	9,061	2,613	−2,102	−7,433	−14,092	−13,895	−313	415	−965	—
Monetary reserves (in mil. $)	39,737	57,818	57,818	56,186	54,583	60,209	19,390	18,650	18,650	21,660	21,240	18,540
Direct investment, cumulative at period end (in mil. DM or $)												
Direct investment abroad	52,142	58,193	58,193	—	61,562	—	149,848	168,081	168,081	—	—	—
—German investment in the U.S.	6,705	8,591	8,591	—	10,057	—						
—U.S. investment in Germany							11,071	12,746	12,746	—	—	—
Foreign direct investment	49,253	53,326	53,326	—	54,691	—	34,595	40,831	40,831	—	—	
—U.S. investment in Germany	19,049	19,923	19,923	—	20,580	—						
—German investment in the U.S.							2,529	3,191	—	—	—	—

Sources:

Statistisches Bundesamt	U.S. Department of Commerce
Deutsche Bundesbank	U.S. Department of Labor
Bundesministerium fuer Wirtschaft	Federal Reserve System
International Monetary Fund	

The Dollar and the D-Mark: Factors of Confrontation or Cooperation

The following is excerpted from an address delivered by Mr. Robert Dhom, Managing Director and Chief Executive Officer of West Germany's Commerzbank AG, at a luncheon sponsored by the German American Chamber of Commerce on November 27, 1979 at the Plaza Hotel in New York City.

At a time of growing world-wide political and economic tensions, I am honored to be able to speak to you about key financial and monetary questions. I shall do so under the general heading: "Business as usual"

Not, because as a banker, I tend to overlook the above-mentioned strains and their critical implications, but because I am convinced that the greater the danger, the greater the need for calm deliberation.

These dangers can only be coped with if there is analysis of their context, and from this there has to be formulated a course of action, which must be acted on accordingly.

In this spirit, I shall try to define the international role of the American dollar and the D-Mark. Those facts must be recognized right from the start which were perceived by the founders of the Bretton Woods system from the lesson of the 1930's and which were forgotten in the late 1970's, especially by Americans.

First, the international value of a currency is determined by the performance of the individual national economy. When a country, such as the U.S., has 5% of the world's population, including the Comecon, produces 25% of the world's GNP, and engages in over 13% of the world's trade, excluding the Comecon, it follows that its currency will be used outside its borders not by its own design and around the world as an accounting, exchange and reserve medium.

Therefore, it follows secondly, that the domestic value of such a currency, its stability or its weakness, influences not only its domestic buying power, but also its use as a means of payment outside the United States. While a stable dollar increases the purchasing power of the United States on world markets, an inflated dollar weakens this buying power and compounds the dollar's depreciation domestically. Evidently an inflation rate of 12% was deemed necessary for the political powers in the United States to put up political courage and place Paul Volcker at the helm who then set as his number-one priority the regaining of the stability of the dollar.

It is not my intention to deal at length with the past. However, to understand the current economic situation and judge the future, some key facts, which bear strong relevance for this conclusion, have to be recalled.

Past as prelude

Convinced of the strength and value of the dollar, the founders of the Bretton Woods System created a system of fixed exchange rates, based on the dollar. The aim was to avoid fluctuating exchange rates, the disadvantages of which had become evident during the crisis of the 1930's. They also took into account the fact that fluctuations in the domestic value of the dollar would automatically affect the currencies of other industrial nations. They took this approach in full realization that the dollar, measured against its value from 1940 to 1945, had decreased in value by about 26.5% due to unproductive expenditures during the Second World War.

Measured by the same base year, this 26.5% inflated dollar compares to a decrease in real terms of 12% for the British Pound and 200% for the French Franc. Through rigorous control in Germany, the figure was held artificially at an official rate of "only" 12%.

With the exception of the Mark, none of the above-mentioned currencies underwent a real currency reform. Over a span of years, the Pound-Sterling and the French Franc were adjusted to their new buying power through a series of devaluations.

From early 1949 to 1979, the Pound devalued by 56% and the French Franc by 48%. In relation to other currencies, the dollar remained constant. However, from the founding of the Bretton Woods System in 1944-45 until 1971, the dollar lost 56% in domestic buying power.

In addition, the Vietnam War added an additional inflationary potential. But due to simultaneous domestic productivity gains, prices were held to between 1 and 6 percent. Only in 1974 did the "home-grown" inflation rate of the United States rise within a few months from 6 to 11 percent. This situation heralded the absolute end of the Bretton Woods System. The stable dollar parity was replaced by floating exchange rates.

The upward revaluation of the D-Mark versus the parity at the end of 1945 did not reflect German proficiency; rather it was the result of a dollar exchange rate which had been set deliberately low by the Allied control powers. One objective in doing this was to ease imports into Germany of needed raw materials for which the country had to pay in dollars. The change from a chronic deficit in Germany's balance of payments to a continuous surplus occurred only after the Korean War, when the United States was in need of more goods from Western Europe. Based on support from the Marshall Plan Funds and creation of the European Community, Germany became increasingly a nation with balance of payments surpluses, and consequently the D-Mark became a means of payment which was more and more in demand.

Even after the first noticeable economic downturn in the Federal Republic in the second half of the 60's, the Bonn Government and the Bundesbank became convinced that free trade and a stable currency domestically had to remain priority goals.

Only the second downturn during the 1973-19[illegible] period prompted the German Government to assign additional funds, which resulted in an inflation rate for the German economy of 7 percent in 1974-1975. Drastic restrictive measures by the Bundesbank then succeeded in reducing the inflation rate to its lowest point of 2.5 percent in 1978. This drop, however, was accompanied by a slowdown in economic activity. In 1977 the GNP growth rate had slipped to 2.6 percent, in 1978 it amounted to 3.5 percent, and only in 1979 did the economy accelerate markedly, aided by capital investments by industry, whose capacity utilization rose to 85 percent during the past few months.

With the help of moderate wage agreements in 1978, despite rising energy costs, a new upswing got under way, which is expected to last until well into 1980. When it will end depends on economic performance in Western Europe and the United States during the coming year.

How much the financial and currency relations between our two nations will influence our future is a point which I would like to examine in the following observations.

Parities vs.performance

The two nations share in world trade volume (exports and imports combined) over the last three years came to:

	'76	'77	'78
USA	13.4	13.3	13.5
FRG	10.4	10.5	10.9

The difference in the size of the two nations' foreign trade share is reflected in the make-up of world currency reserves. The dollar's share of these reserves amounted to some 80 percent between 1970 and 1978, despite the rate fluctuations of the dollar. In contrast, the D-mark's share rose from 2.1 percent in 1970 to 7.5 percent in 1978, and in 1979 the share should amount to some 11 percent.

This development did not work against the dollar, but acted almost exclusively against the Pound Sterling, whose share dropped from 9 percent in 1970 to just above 1 percent in 1978.

This highlights the fact that despite the rising inflation rate in the United States from 4.5 percent (1970-1972 average) to 12 percent in 1979, the dollar's role as a reserve currency remained relatively stable. It is followed by some distance by the D-mark which, in turn, is followed by further distance by the currencies of the other industrial nations, which together also total about 11 percent of the world's currency reserves.

Also changed is the role of the dollar as a vehicle for financial transactions when measured by its particular share on the Euro-market. From 90 percent of all transactions that were handled in dollars in 1950, the share has dropped to 69 percent in 1979. The share of D-mark transactions rose from zero percent to 18 percent and the Swiss franc's share to 6 percent. At the same time, the Pound Sterling's share dropped from just under 10 percent to 1.6 percent.

A totally different picture is presented in international currency transactions. Here the dollar maintained its leading position similar to the reserve currency situation, even though at the cost of a rampant inflation rate in the United States over the past two years.

Yet, the American foreign trade situation, both exports and imports, are almost totally handled in dollars, while in the Federal Republic's foreign trade, some 90 percent of exports are transacted in D-Mark, but only 50 percent of imports can be paid in D-mark.

Looking ahead

A conclusion for the future that can be drawn from an analysis of these figures is that the stability of economic relations in the world continues to rest primarily on the stability of the American dollar. While the stability of the D-Mark is significant, it is not decisive. To a limited extent the D-Mark, together with the Swiss franc, have assumed a reserve currency function, but both currencies amount to only about 15 percent of the world's currency reserves. All steps which are taken by the United States influence the future of the world much more than actions taken by Western Europe or Japan. However, this fact does not release the industrialized nations in Western Europe from the obligation to continue their efforts to achieve and maintain

Currency trading room of Commerzbank AG in Frankfurt.

stability.

Important industrial nations in Western Europe, such as Great Britain with its current inflation rate of 16.5 percent, France with about 11 percent and Italy with 15.5 percent, still have a long way to go to achieve this goal. The Economic Summits, which have become fashionable over the past few years, have contributed little to the solution of this situation. On the contrary, prior to the advent of these meetings the theory was advanced that the world's economies had to be stimulated more, which led to additional demand for goods and services from Governments, higher wage gains, and, ultimately, to an acceleration of the inflationary spiral. The positive aspect of these gatherings, which helped to avoid a trade war as occurred in the 1930's, should not be underestimated. But it is also clear that an international community with high inflation rates cannot solve the problems of the future.

The main source of the misery which we are all currently experiencing is, in my opinion, not the energy crisis and the rising costs of raw materials. The problem is more deeply rooted. I see the reasons in the naïve belief that everything can be managed: Keynes or his fellow travellers advanced his concepts that dissatisfaction with any economic situation can be changed with the modern tools of monetary and fiscal policy.

Yet, economic problems do not come into being because all partners in an economy acted rationally; but rather they are caused by irrational factors, such as the demand for more income, more wealth, more freedom, more independence and also more power and more influence.

In trying to alter a given economic condition, it is necessary to take into account the psychological and political factors which will change the basic data. In an inflation-prone economy, it is not enough to impose restrictive fiscal and monetary policies. Rather, supportive tax measures have to be provided at the same time, and a freeze or even a lowering of the standard of living and a temporary drop in the GNP growth have to be accepted.

To me it seems very unrealistic when economic analysts and the stock market experts again and again imply that the policy of high interest rates, which is being pursued in the United States and in Western European nations, is just a short-lived phenomenon which will disappear shortly—for instance, during the coming election year—and be replaced by a policy of easy money.

If this were actually to occur, these nations would risk everything they have achieved so far. To provide a specific example: Should the United States abandon its policy of high interest rates in 1980, before the inflation rate has been brought down and the the balance of payments is brought into equilibrium, the dollar will no doubt undergo another international weakening spell in relation to the hard currencies. This is not a burden any American President, no matter of which political persuasion, would want to assume and thus ignore the national interest of the American people.

Over the next few weeks or months, the dollar will also be under additional pressure as a result of the events in Iran. According to a recently published study by the Bank of England, since the first increase in crude oil prices in 1973 up to the first quarter of 1979, OPEC nations have accumulated $182.5 billion. Of this amount only $41.5 billion is invested in the United States itself, while a considerable amount was invested in the Euromarket, $34.4 billion in Great Britain and $96.5 billion in other countries, a large part of which was placed with German and Swiss banks. As a result, I do welcome the Bundesbank's policy, which gives the impression that the central bank will not intervene in the exchange markets should large-scale holders of dollar reserves desire to change their holdings into D-marks.

The losses in capital value which result from such transactions for dollar holders, and the realization which will come later that there are insufficient hard currencies of other countries around to permit large scale exchange transactions, should work as a natural brake. Dollar holders will recognize, at least I hope they will, that for the foreseeable future oil can be only replaced by oil in the same way as the dollar can only be replaced by the dollar.

In conclusion, permit me to underscore once more that this difficult period, both economically as well as politically, can only be overcome by close cooperation in the Western World.

Moreover, I believe, that at a time when world trade is only slowly expanding, the only alternative is to pursue a market-oriented economic policy.

Both the Federal Republic and the United States have witnessed the dire results when market-oriented mechanisms are replaced by imposed measures. Sweet sounding terminology such as incomes- and price-control policies are unable to prevent the distortion which rising costs for labor or raw materials produce. And the longer they are artificially controlled, the larger the discrepancy becomes.

The value of a currency, both domestically and internationally, quickly reflects the conditions of an economy, and, in turn, depending along which course the value of a currency develops, initiates positive or negative economic trends. To create an atmosphere of trust in a currency, both domestically and internationally, should thus be the primary goal of any responsible politician.

And all politicians as well as economists should realize the truth of the old saying, especially in these days: if we don't hang together now, we will be hanged separately. ▪

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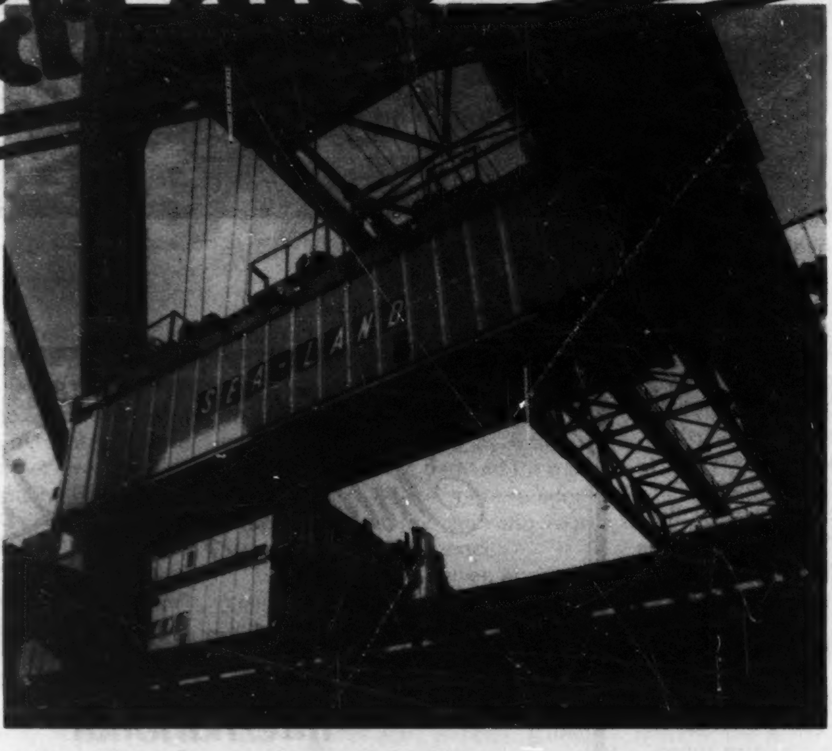

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American Antitrust Laws in Foreign Commerce: U.S. Policy under Review

Terrence Roche Murphy

Mr. Murphy is a partner in the Washington, D.C. law firm of Wald, Harkrader & Ross, where he specializes in antitrust, international trade and administrative law. He writes and lectures in the United States and Europe on these topics.

The application of American antitrust laws to transactions outside the United States provokes strong criticism in the U.S. and abroad, and some of America's oldest friends are acting to protect their own commercial interests.

In a December editorial entitled "Economic Imperialism," the influential Washington Post criticized the "Justice Department's campaign to treat other governments as though they were American companies subject to American antitrust laws." The Post pointed to "U.S. State Department warnings of what these grabs for extraterritorial jurisdiction are doing to American interests."

Sensitive to complaints that American competition policy designed for a huge internal market should not be applied to theoretical limits in foreign commerce, even where U.S. courts might have legal jurisdiction, American government officials and judges are beginning to reconsider the geographical boundaries of that policy.

The basic U.S. antitrust law affecting foreign commerce is Section 1 of the Sherman Act, which holds that all "contracts, combinations or conspiracies" in restraint of U.S. interstate (i.e., domestic) or foreign commerce are illegal." Price-fixing and market vision arrangements among direct "horizontal" competitors are considered illegal "per se," and other restraints are judged by a "rule of reason" developed by the courts.

U.S. courts have held in many cases that the Sherman Act may be applied to acts done abroad—so long as the court had a constitutional basis of "personal jurisdiction" over a company or individual and the acts abroad had actual, intended or foreseeable effects on U.S. foreign or domestic commerce. In contrast, the Clayton Act, which governs mergers, applies where a merger (or acquisition) is "likely substantially to lessen competition" in any section of the U.S.A. Its effects in foreign markets have never been considered a basis for jurisdiction.

In recent years, the Sherman Act has been applied to foreign commerce in a way that has raised criticism abroad. In the so-called "uranium cartel", British, Canadian and Australian authorities have objected to U.S. information collection (discovery) in their territories.

Similarly, in a recent case involving international shipping, a U.S. court has imposed fines upon European shipping firms and individuals for activities that Jahn Nott, the British government's Minister of Trade, considers "perfectly legal in Europe." Last year the Australian parliament prohibited Australian companies from providing antitrust discovery or use in U.S. courts and this year it has made U.S. antitrust judgments unenforceable in Australia, nor are they enforceable in Canada or in the Federal Republic of Germany.

The United Kingdom's government introduced a "Protection of Trading Interests Bill" that would allow the government to forbid compliance with information demands from foreign courts and would also make U.S. antitrust judgements unenforceable.

U.S. authorities are starting to respond to these complaints. The U.S. courts have declared that they will refuse to hear antitrust cases, even where they had legal jurisdiction to do so, where American interests were minor as compared to those of another country.

Of equal importance: the Department of Justice now will consider comity factors in deciding whether to prosecute a foreign-based transaction.

Joel Davidow, Director of Policy Planning in the Justice Department's Antitrust Division, implied that in a case where only two percent of the products of two merging firms reach the U.S., actions against the merger would "undoubtedly raise jurisdictional, international law and political issues". This factor would cause the government to avoid actions against the merger.

The Department will also only seek documents or interviews in foreign countries, in accordance with the laws of other nations and only after prior notice to the affected government. In the case of the Federal Republic, the U.S. government may seek information in accordance with the agreement relating to mutual cooperation regarding restrictive business practices of July 23, 1979.

One development that may go against this trend is the administration's "Oil Windfall Acquisition Bill" (S. 1246) to limit large acquisitions by major U.S. oil companies, including foreign affiliates "controlled by a major producer"; acquisition of a foreign company could be unlawful unless likely to increase competition in U.S. "domestic or foreign commerce" or to add to available energy resources. University of Chicago law professor Kenneth Dam told the Senate Antitrust Subcommittee in October that the Bill "could prevent the Federal Republic from taking its own steps to require a German subsidiary of a U.S. oil company to rationalize German operations by acquiring other assets in Germany or elsewhere."

The new sense of realism regarding antitrust jurisdiction seems desirable, but it does not mean that U.S. antitrust authorities will be less active. In many cases, the opposite will be true. The Justice Department's Foreign Commerce Section has been expanded over the past five years from seven to twenty-two lawyers and in addition to antitrust is involved in international trade issues such as antidumping and import quota cases before the International Trade Commission.

Similar views appear to be taking hold at the Federal Trade Commission, which also enforces U.S. antitrust laws. In cooperation with the Antitrust Division, the FTC manages the government's pre-merger notification program. This program recently has been amended to raise the size limits for mergers and acquisitions that must be reported in advance. This may be of particular benefit to foreign firms, which may enter the United States market with relatively small acquisitions. The FTC also has allowed foreign firms to carry out proposed acquisitions without a long waiting period.

These developments do not mean that all mergers involving foreign firms will go unchallenged. In an important recent case under its premerger notification program, the FTC in October asked the U.S. court in Washington to prevent the acquisition by Mannesmann AG and its U.S. affiliates of Harnischfeger Corporation, the leading U.S. firm manufacturing industrial cranes and other products that compete with Mannesmann "Demag" products.

Foreign direct investment in the U.S. is growing rapidly. The U.S. Commerce Department reported 198 such transactions in 1976, 428 in 1977, and 677 in 1978. And despite the criticism by foreign governments and a new sense of restraint by U.S. courts and antitrust authorities, many activities that affect U.S. foreign or domestic commerce will be examined under U.S. antitrust laws. Because the geographic reach of those laws now is even more uncertain and because a congressionally created commission may undertake a full review of the subject, governments and firms interested in the U.S. market should closely follow developments. ▪

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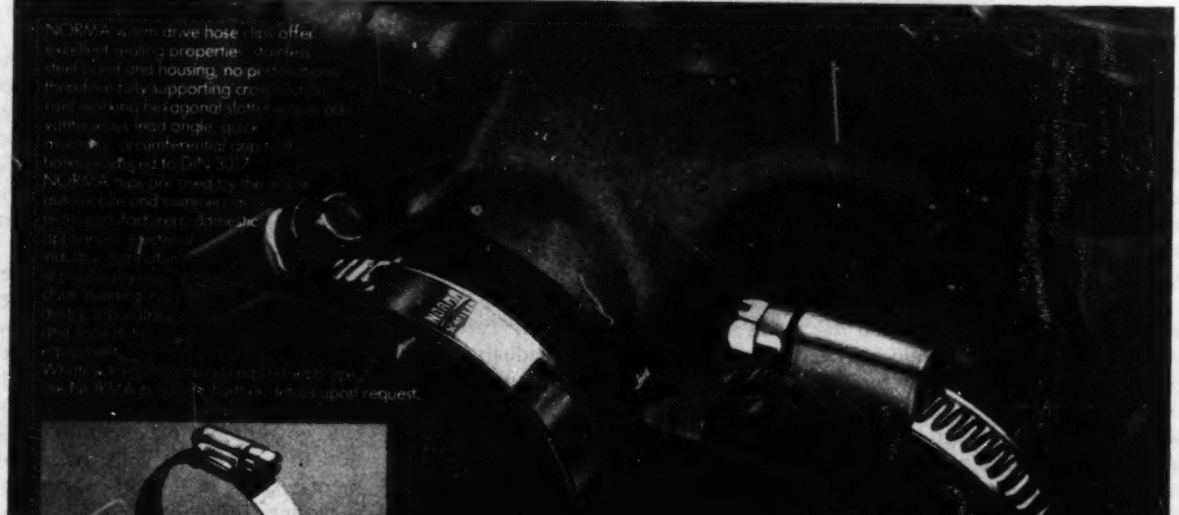

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Furniture and accessories. Company is interested in a joint venture with an American furniture company with about 200 employees, preferably in North Carolina, but it will consider other locations. The joint venture will have a labor force of 300-500. Herr Baur, Manager, FRIGON Th. Kohl KG, Hofer Strasse 11, D-8400 Regensburg. Tel. 0941/61001.

Grinding machines. Firm seeks U.S. partner to manufacture grinding machines in the United States. Ideal partner would be an American manufacturer of tool-grinding and other grinding machines. Horst Freund. Sales Manger, Gebr. Bayer GmbH / Company, Maschinenfabrik, Silvanerstrasse 9, D-7410 Reutlingen 27, Tel 0011-49-7127-70447, Telex 7266 144.

Licensing

Shoe-Shine kits. Firm seeks U.S. manufacturer to produce shoe-shine kits under license in the United States. Gertrud Wiehl GmbH. Mannheimerstrasse 37, D-7000 Stuttgart 50, Tel. 0011-49-711-544976, Cable Wiehl GmbH.

Awnings. Firm seeks an exchange of licensing with American firm in the field of awnings for private homes and commercial uses. Awnings have extruded anodized aluminum profiles. Joints are made from drop-forged aluminum, and other parts from stainless steel. Norbert Siebertz Weinor, Dieter Weiermann GmbH & Co., Oskar-Jaeger Strasse 166, 5000 Keoln 30.

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Mozart flowing

Ultimately, the 450 SEL amounts to something more than the sum of its facts and figures. The Editor of *Car and Driver* put it into words.

"I sincerely wish," he wrote, "that everyone I love, anywhere in the world, could savor the experience of rushing down a country road in the middle of the night with Mozart flowing out of the speakers, and the three-pointed star, silhouetted against the headlights' path, leading the way. What a gift!"

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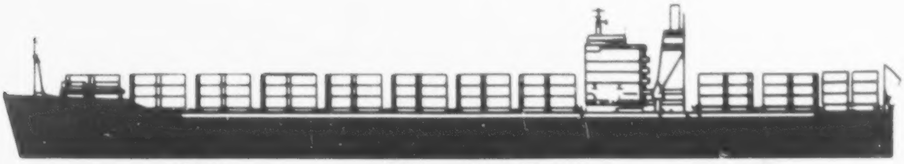

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- Radiographic and Fluoroscopic Systems
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- Urology Examination Equipment
- Linear Accelerators
- Therapy Simulators and Planning Systems
- Com Tomog hy S
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- Dental Chairs and Units
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- Multiple Speech Training Equipment

TELECOMMUNICATIONS

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Chamber Commentary

Troubled trade winds

It is almost a truism that perception is often more important than reality. One can only hope, then, that the recent spate of protectionist threats will be resolved by the court of reason in which substance and not emotion decides the issues.

Precipitate would not be too strong an expression to apply to the growing threat of rampant protectionism in the United States and Europe. Mexican tomatoes, European steel, Italian footware, American synthetic fibers, Japanese cars—the length of the list and the volume of trade involved in recent dumping complaints filed or pending here and in Europe have grown well beyond the level of tolerable discomfort.

Observers with a passion for irony will have noted that the latest wave of protectionism gained momentum after the GATT agreement for freer trade became effective on January 1. Unfortunately, the timing seems anything but circumstantial. As business and economic leaders project the ripple effect of December's OPEC oil-price hike, they are becoming increasingly fearful that the Western economies will be driven back into the unhappy synchronization that prevailed in 1974–1975, when Europe and the United States fell into recession simultaneously.

Hence a perceived economic imperative may have provided the decisive stimulus to lodge formal complaints which might otherwise have remained largely on the back burner. This is not to deny the fact that several industries just happen to have a strong case. In addition, protectionist sentiment in Europe comes in the wake of the European Community's growing deficit in manufactured goods exchanges with the U.S., a swing which most American spokesmen attribute to the weakness of the dollar over the last two years. According to EC figures, the Nine's overall trade deficit with the U.S. in 1979 doubled to more than $12 billion (against a gap of $6.12 billion the year before), with only $4 billion accounted for by the traditional shortfall in agricultural items.

Last year, for instance, the EC's long-standing trade surplus with the United States in man-made textiles was apparently wiped out. American sources estimate that U.S. exports racked up a $150-million surplus in 1979, compared with a deficit of $300 million in 1978. Also, the European steelmakers calculate that they stand to lose up to $1 billion in exports even if the International Trade Commission finds in their favor.

To their credit, both the Carter Administration and the EC Commission have so far resisted protectionist pressures from their constituencies. If reason prevails, each issue will be examined separately so that we can avoid an emotional catharsis which could plunge us into a self-destructive transatlantic trade war.

Trade Fairs

.NARK PRODUCTS GMBH
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HANOVER

The Hanover Fair '80 (April 16-24, 1980) will encompass 28 different industry sectors. This may sound like a huge complex of unrelated activity, however, be assured that from an international marketing point of view, the concept offers decided advantages and, in operation, has proved to be extremely successful. It fulfills the same function for the industrial buyer that the department store and supermarket serve for the retail consumer.

First of all, each industry sector is carefully segregated so that those visitors primarily seeking a specific industry can immediately locate their area of interest. Foreign competitors in a given field are located side by side in the same halls so that the visitor can compare, make thorough evaluations and select the best possible solution to his individual company's needs.

From a practical point of view, the comprehensive industrial presentation at the Hanover Fair serves essential international business requirements. Because of the interrelationship of the different segments of industry, purchasers today must stay abreast of all aspects of manufacturing technology. Automobile and appliance production, for example, involves assembly, warehousing, plastics, rubber and metal manufacturing, as well as material and parts handling, painting, surface treatment, air conditioning, heating and a host of other operations, equipment and services.

A visitor at Hanover, therefore, can observe first hand all of these aspects of manufacturing at one convenient location. He has the ability to put together all of the individual pieces of equipment including the accessory supplies and services required for a complete small- or large-scale manufacturing operation. The services required to design the building, engineering of the entire manufacturing system to produce a specific product, construction of the plant and purchase, installation and start-up of all equipment can also be ordered at the Hanover Fair.

Every year the Hanover Fair replaces the previous state of industrial technology through many new international presentations. This will again be the case at Hanover Fair '80 where the latest achievements in the engineering sciences will be unveiled at Hanover from April 16 to 24, 1980. As an appropriate entry into the 1980's, the Fair program will include a number of new dramatic presentations that will demonstrate the world's most advanced technology. New main exhibit groups have been developed and a more precise breakdown by area of industry application has been established.

Energy is a prime subject throughout the world, and it will be appropriately covered throughout all of the 28 main exhibit categories. One of the 28 groups will deal exclusively with practical solutions to the problem of expanding the sources of energy.

In accordance with the overall Hanover Fair '80 theme, there will be a special systems exhibit entitled "Energy 80, Technology for the Sensible Use of Energy." This will present the latest design and equipment technology and other services required to build, set up and operate more efficient power plant installations. New techniques for using alternative sources of energy, such as sun, wind and earth heat, will also be presented. The cooperation of the leading associations and international industrial groups assures high technological standards for the "Energy 80" exhibition. Its importance is further emphasized by the fact that the Minister of Research and Technology for the Federal Republic of Germany is the sponsor of Energy 80.

SPOGA SPORTARTIKEL
GARTENMOBEL
Lune Me… …nning Co Ltd

COLOGNE

The German American Chamber of Commerce, New York, in conjunction with the U.S. sporting goods, photographic, bicycle and motorcycle and office products industries, is organizing U.S. group exhibits and travel packages to help manufacturers reduce costs for 1980 international trade exhibitions.

Photokina, (September 12-18) the world's fair of photography; IFMA (September 19-23); SPOGA, (September 27-30) the international trade fair of sporting goods, camping equipment, and garden furniture; and Orgatechnik, (October 21-26) the international office products, interiors and accessories exhibition all offer interested industry participants the opportunity to join with others in their particular field in a U.S. collective display. The group exhibit provides manufacturers with a low-cost package plan for booth set-up and exhibit space and helps to strengthen their sales impact by combining forces with other leading U.S. companies.

In addition, an all-inclusive group travel package is now available for each show from a leading New York travel agent to help exhibitors save on hotel and light costs.

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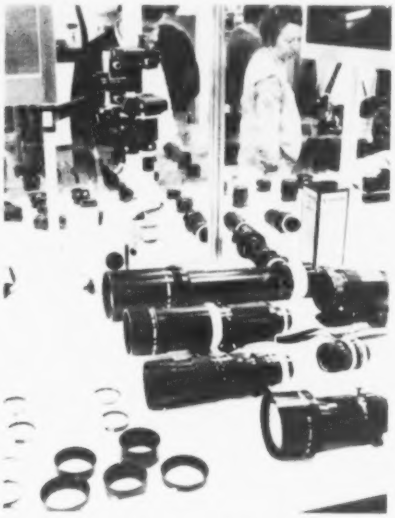
There has been a further growth in the interest shown in the 3rd International Office Trade Fair ORGATECHNIK in Cologne from October 21 to 26, 1980 by home and foreign manufacturers from all sectors of the office and information systems industry. The bigger demand for floor space has meanwhile been met by the organizers by providing a display area that has been increased to a total of 1,248,160 sq.ft. (116,000 sq.meters). Halls 9, 10 and 11 are now available in addition to halls 12, 13 and 14 previously used for this fair. Hall 10 is a new building due for completion by the autumn of 1980.



The new hall concept for ORGATECHNIK will improve internal circulation and the flow of traffic outside the halls as well as providing a clearer overall picture of the fair for visitors. The hardware shown at the fair, which includes office and bank furniture and equipment, fittings, mail-handling systems, accounting machines and cash handling, data processing, communication and instruction systems, organizational aids and office supplies, will be supplemented by suitable software. Numerous supporting events with a practical orientation underline the high informative value of the fair, which also helps in providing a comprehensive portrayal of the office and information systems sector. ▪

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optica 80

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German Auto Boom Decelerates

Automatic welding machines send sparks flying as they knit a VW Rabbit's body out of steel stampings.

INSPEKTION

BMW inspectors in the paint shop thoroughly check out the finishing coat of every vehicle before releasing it for final assembly.

West Germany's automobile manufacturers continued to cruise along last year in top gear, producing and selling cars in record numbers. However, 1979's fourth quarter saw a sharp drop in sales which led many observers to conclude that the industry had better prepare to shift gears to a slower tempo in 1980. Indeed, there are clear signs that German automotive industry executives may be confronting this decade's mandate for technological change and stiffer competition at home and abroad in a year of slumping demand for their products. And, in case anyone had any doubts, the Japanese have demonstrated that they intend to move ambitiously into the European arena.

A record of 4.3 million vehicles of all types rolled off the assembly lines of auto makers in the Federal Republic in 1979, up more than 100,000 over 1978, representing the fifth successive boom year. Although Opel and Ford experienced sharp declines in sales, Volkswagen/Audi, Daimler-Benz and BMW each recorded healthy growth. Total output of automobiles and combis in West Germany last year came to 3,933,000 units compared with 3,890,000 in 1978. When contrasted with the collapse of production to 2,840,000 in the recession year of 1974, these figures underscore the strong and steady recovery traced over the last five years. A more sober perspective emerges, however, when 1979 results are compared with output of 3,528,000 in 1970 and 3,522,000 in 1972. Moreover, exports last year, at 1,997,000 units, were still under the record 2,027,000 achieved back in 1972.

All of which is to emphasize that the decade of the Seventies was a turbulent one for automobile manufacturers in Germany: a collapse followed by a surge in domestic demand. Production and sales figures for the last few years demonstrate that growth has slowed perceptibly and that the German market is beginning to approach the maturity of that in the U.S., and some experts believe that this decade will see even lower growth rates. The sharp decline in sales last autumn points to shrinking results in 1980, with some analysts fearing that the sinking curve could even deteriorate into another full-fledged crisis.

The sober Seventies

Overshadowed by the strong recovery of the past five years, the 1970's may appear to many observers as having been a period of steady prosperity. Even the President of the Association of German Automobile Manufacturers, Horst Backsmann, recently saw fit to note that the third complete decade of the auto age in Germany had exceeded all expectations. True, but only in a relative sense. The last decade also saw a very weak beginning that was painfully punctuated by a 1974 crisis of unprecedented magnitude. Recovery followed in its wake but the overall growth rate for the Seventies lagged well behind the pace of the 1950's and 1960's. To be sure, some falloff from the heady expansion induced by unsatisfied demand and psychic need for status symbols was to be expected.

From 1970 to 1979 German output of autos and vans increased by a total of 11.5 percent or an average of 1.1 percent per annum. In the Fifties, during which the very foundations of automobile mass production were built, output grew by 21 percent a year, and annual increases averaging some 6 percent characterized the next decade .

A DECADE OF MOTORIZATION

Automobile production (in millions)

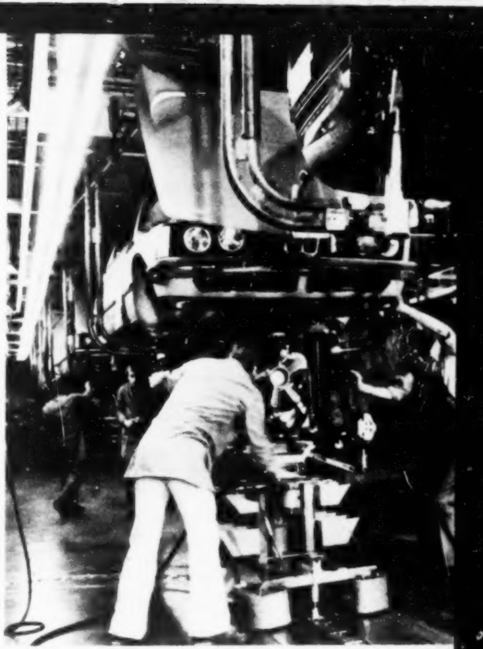
	1970	1979*	Change in %
World	22.3	31.5	+41
Of which			
U.S.A.	6.6	8.5	+29
Japan	3.2	6.5	+103
Western Europe	10.2	11.5	+13
Of which			
Federal Republic	3.5	3.9	+11

*Estimated
Source: Die Zeit

The sudden drop in the tempo of growth in the last decade was to a large extent distorted by the misfortunes of Volkswagen. Stung by the sudden collapse in demand for its venerable Beetle, VW confronted the formidable task of completely restructuring its production. Despite the popularity of its new models at home and abroad, domestic production has declined by 14.1 percent or 207,000 units since 1970. The company has also seen a sharp drop in its share of total domestic production, from 52 percent in 1970 to 41.4 percent last year.

The picture becomes brighter if VW figures are removed from the production table. We then find that output by the other German manufacturers since 1970 has leaped by 36 percent, or about 3 percent annually. This figure, rather than 1.1 percent, is probably a more accurate index of overall progress in the automobile industry over the last ten years. But an extrapolation of this figure still invites a cautious conclusion. Progress was led by the prestige manufacturers, whose limited production of high-price cars rose by 4.5 percent annually for Daimler-Benz and an impressive 7.5 percent for BMW, or a total increase of 322,500 cars. In contrast, Ford and Opel, the two other mass producers after VW, achieved more modest annual growth rates, 2.9 and 1.7 percent respectively.

But this picture omits a major element in the German automotive effort of the 1970's, namely the robust expansion of overseas production, which has more than doubled since 1970: combined output, domestic and foreign, has actually risen by 25 percent in this period. Not least of all, Volkswagen has more than compensated for its loss in production at home by expanding production abroad by 195 percent.



Automation is commonplace on German auto assembly lines.

Mixed results at home and abroad

At first glance, the Seventies produced export results that were anything but thrilling. By the end of the decade, German manufacturers were just barely shipping more cars abroad than in 1970 (1,997,000 vs. 1,947,000). Here too VW's performance distorts the total picture. If one eliminates VW's performance, which shrank by one-third, automobile exports by the other producers actually rose by 54 percent or about 4.4 annually.

Over the last ten years, the auto market in the Federal Republic has grown explosively, though expansion began in earnest only in 1976. Since then the number of personal vehicles registered in West Germany has risen by 9.4 million to 22.6 million, a level which was not supposed to be reached until sometime this decade. As a result, the Federal Republic has the highest auto density in Europe, one car per 2.7 persons.

The various manufacturers achieved varying degrees of success during this period. VW, for instance, was able to maintain a generous share of the total market, which represents something of a victory in absolute terms. Opel lost ground, and Ford actually sold fewer automobiles last year than in 1970. Daimler-Benz and BMW were the big winners and were still unable to keep pace with demand.

Imports have also traveled an uneven road during this period. While they have increased turnover by one-quarter, this share in the expanded market has declined from 22.9 per-

NEW-CAR REGISTRATIONS IN THE FEDERAL REPUBLIC

Country of Origin	Registration 1979	Change 1978–79 in %	Market Share in % 1978	Market Share in % 1979
Germany	1 967 789	− 3.3	77.1	76.5
France	263 886	− 7.4	10.9	10.3
Italy	106 540	− 9.4	4.5	4.1
Japan	147 868	+ 51.8	3.7	5.7
Sweden	27 818	+ 2.2	1.0	1.1
United Kingdom	17 564	+ 7.7	0.6	0.7
USA	15 601	+ 75.6	0.3	0.6
Other	26 773	− 14.2	1.3	1.0
Total	2 573 839	− 1.7	100.0	100.0

Source: Hypobank

cent in 1970 to 17.5 percent last year. The Japanese scored the biggest gains, advancing from virtually zero to a market share of 5.6 percent last year.The gains came at the expense of other imports, whose sales declined by some 5 percent in 1979.

With Toyota and Mazda in the vanguard, the Japanese have displaced the Italians as the third largest supplier of cars to West Germany, and if they can maintain their present momentum they could threaten the French second-place position. Since 1976, both French and Italian manufacturers have seen their market shares shrink. Italian companies, mainly Fiat, which had almost 6 percent in 1976, fell to 4.1 last year. Registrations of French models came to 11.8 percent of the market in 1976, but this declined to 10.3 percent in 1979.

The Japanese auto companies have invested large sums in building up dealer and service networks in the Federal Republic. The numbers indicate that they are winning a loyal following and that their products are finding acceptance in a very demanding market. They are carrying highly competitive prices which become even lower as the DM appreciates against the yen. German executives claim that only Toyota has built its sales volume up to profitable levels. Decades of experience in other markets, however, show that the Japanese think long term, and short-term losses are unlikely to discourage them once they have decided to penetrate a market.

The Japanese invasion and the potential export might of the American giants is taken very seriously in Europe. Up to now European strategy has been based upon the concept of cooperation and/or merger. British/Leyland has absorbed several sickly producers, and Peugeot/Citroen in France is now the largest auto producer in Europe. The most recent agreement was concluded end-1979 between France's government-owned Renault and Sweden's Volvo. Under the terms of this pact, the two companies will undertake the joint design and development of components such as engines and transmissions. Up to now, the German automobile industry alone has remained aloof from the trend.

Many analysts are forecasting an auto recession for 1980, not just in West Germany but throughout Europe. In point of fact, sales figures for the fall months last year reflected a marked falloff in demand. During the September-November period, new car sales dropped by 12.4 percent, with the decreases ranging from 22.4 for Ford to 6.6 percent for Daimler-Benz. Having already swallowed overall sales shrinkage throughout the first half, both Ford and Opel announced short-time work at some plants and a temporary closing of some production lines in November. While full-year results for their German counterparts have shown no pronounced weakness, some Cassandras believe that the American subsidiaries are only showing the symptoms of what is in store for others this year.

But if measured scepticism about the near-term prospects for the industry is shared by most German auto executives, none of them seems to consider his own company an endangered species. Toni Schmuecker of Volkswagen looks for harder times ahead, but doesn't think that output will fall off significantly from 1979. He sees exports as offering the potential for offsetting any sales losses at home. Schmuecker's optimism is based upon his faith in the series of fuel-efficient cars developed in the 1970's. His confidence is reflected in the company's investment program: VW will spend approximately DM 12 billion in plants at home and abroad between 1979 and 1983. Nor does the projected American "world car" intimidate him for, in the Rabbit, produced in both Germany and the U.S., Volkswagen already has one.

Daimler-Benz will curry the favor of the public with new cars. The company's S-class models, which are scheduled to be introduced in the United States this fall, will use new light alloy metals and better streamlining to cut down wind resistance. The same "Mercedes look" is likely to be present in the new "smaller" Mercedes (the distinction is emphasized by company officials), which is

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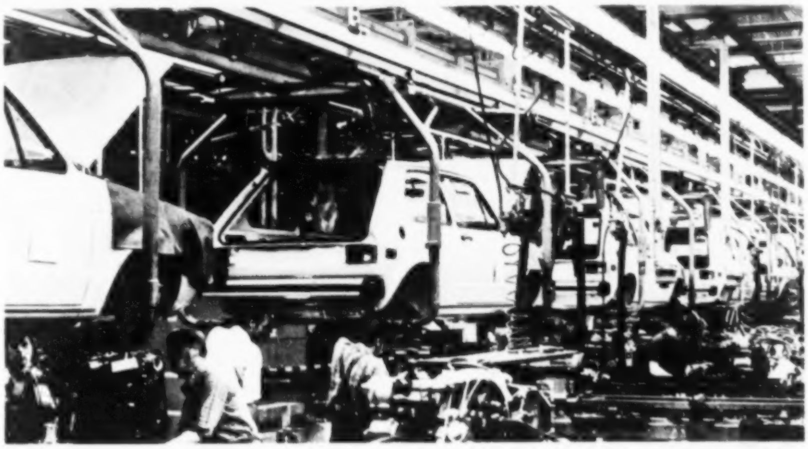
of VW Rabbits in Wolfsburg.



Daimler-Benz main assembly plant in Woerth has produced more than 500,000 trucks since it commenced production in 1963.

Personal attention to the front axle at Mercedes-Benz.

under development and scheduled to be introduced in 1983; it too will retain the firm's accent on durability, solidness, security, and comfort. These changes in its line will not come cheaply: more than half of the DM 10 billion the company plans to invest between 1979 and 1983 will be allocated to this sector. In the meantime, the company has a two-year backlog of orders. Heinz Hoppe, the company's sales director, says that in 1980 Daimler-Benz will sell 55,000 cars in the U.S. "This year we can give the United States 2,000 more [than last year]," Mr. Hoppe says. "That isn't a forecast of the market. It is a decision from here."

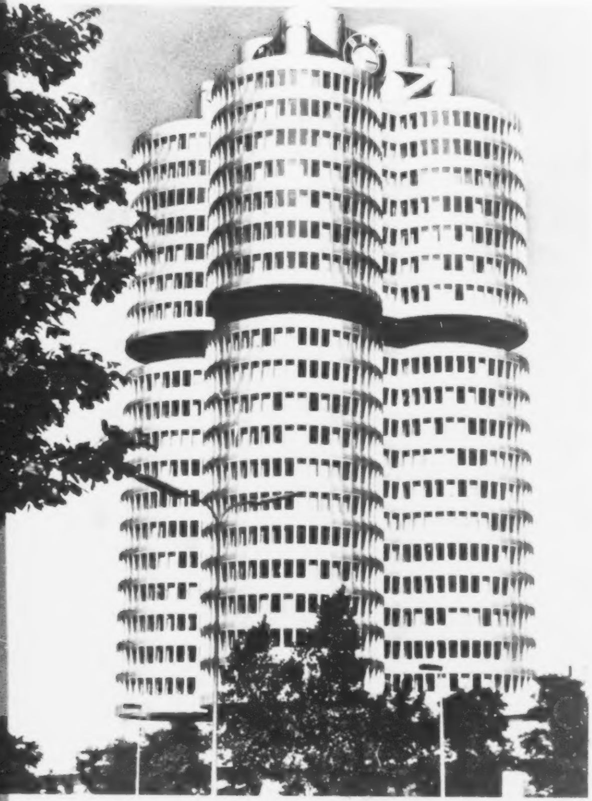
BMW also exudes optimism. From 1979 to 1983 it will invest DM 3 billion in plants, more than twice as much as in the previous five years. Among others, BMW also plans to build a new factory in Germany at an as yet undetermined location. BMW chief Eberhard von Kuenheim also detects problems on the horizon for the industry in Europe which he sees mainly as a case of too many factories. But he does not view over-capacity as a problem for his firm. Another BMW spokesman also voices confidence that the company is in no danger of running out of customers. The BMW strategy is not to seek higher market share in individual countries but to maintain comparatively modest unit sales objectives in many markets: BMW wants to maintain its reputation as a car manufacturer that offers something very special.

Porsche, Germany's smallest auto manufacturer, thinks in the same terms. The fast, expensive cars from Stuttgart sold so well in fiscal 1978/79 that turnover jumped 20 percent to DM 1.3 billion. Questioned as to the reasons for this phenomenon, treasurer Heinz Branitzki answers laconically: "Even expensive Swiss watches only tell the time. But people still buy them."

Genuine optimism for the longer term may indeed be justified, but the realities of milder economic growth this year and shrinking disposable income as soaring energy costs cut into the consumer's pocketbook will probably take their toll this year. The Association of German Automobile Manufacturers predicts that total production in 1980 will decline by something less than 10 percent, with domestic demand easing even more. The Association in its annual forecast voiced the expectation that the industry will be able to maintain its stability by making greater efforts to offset domestic weakness in its overseas markets.

The efforts by Germany's automobile manufacturers to maintain a high level of profitability, and even to survive the sharp competition expected in this decade have also taken the form of major research and development programs to design new types of engines and cars which will respond to the requirements of the 1980's for more fuel-efficient vehicles. In the ensuing pages BMW, VW and Mercedes-Benz discuss their individual projects for the "car of the future." ▪

BMW's Motronic



The BMW headquarters building: 40,000 tons of steel and concrete embodies the firm's dedication to advanced design and technology.

As evolution takes it through the Eighties, the automobile is going to become a somewhat less mechanical device and a considerably more electronic one. In this one respect, at least, the evolution will be more like a revolution. That is what the experts say, and developments of the decade just ended give them the nod.

Some first, halting steps in the "electronization" of the auto were taken way back in the mid-Fifties when two American car makers introduced a primeval form of electronic fuel injection—complete with vacuum tubes—on low-production specialty models. But then engine electronics went back into hibernation awaiting the dawn of the transistor age.

That came in the Sixties. By the end of that decade, in fact, transistorized electronic fuel injection had made more than a return engagement; it was well on its way to becoming the wave of the future. Transistors had made it possible; the world's first legislated exhaust-emission limits had made it imperative. Its role would be to help engineers achieve cleaner exhaust with better performance and more efficient use of gasoline in the bargain.

Since then electronic ignition has taken an established place under the hood too, and electronic fuel injection has been improved again and again. More and more little "black boxes" full of electronic wizardry are to be found, in both engine and passenger compartments, improving not only the vital mechanical processes but enhancing the comfort and convenience of drivers and passengers.

Last fall BMW became the first car maker to adopt a brand-new electronic system, one that amounts to another important advance in the electronics revolution. For now it is offered in only one model, the 732i for the European market, so that BMW can get production and service experience with it on a relatively small scale close to home. But once that experience is gained Motronic can be expected to appear on other models and in other markets, especially those where emissions must be controlled to very strict limits.

The system is called Motronic and like several other sophisticated systems developed in the last decade and a half to help gasoline engines cope with strict emission limits, it is a product of the Robert Bosch Company in Stuttgart, West Germany.

Central to Motronic is a minicomputer that combines the control of fuel injection and electronic ignition into a single unit. All the important data about adjusting both for any given operating condition are stored by digital means in the Motronic minicomputer—"digital" from the Latin root *digitus*, meaning something to do with counting. In digital electronics technology, which has come to the forefront of the field's developments only recently, all signals are taken and processed in the form of numbers. By contrast, in the earlier analog technology, electrical signals are compared to reference signals and processed accordingly.

With the aid of the microcomputer's "memory," both fuel injection and ignition processes are controlled precisely so that the engine can always work at optimum efficiency. The microcomputer, which contains semiconductor devices with up to several ten thousands of transistors on a surface area of only a few square milli-

MEETING THE DEMANDS OF SOCIETY IS NO EXCUSE FOR BUILDING A BORING CAR.

If one accepts the dismal prophecies emanating from the automotive community, it appears we are destined to suffer a generation of thoroughly boring automobiles.

Cars so utterly debilitated by societal necessities, safety regulations and anti-pollution paraphernalia that they no longer will be the least bit interesting to drive.

All this pessimistic doom-saying, however, neglects to take into account the obsessive determination of the engineers at BMW in Munich, Germany to build extraordinary automobiles.

Against all odds, the BMW 528i not only satisfies the laws of the land and the demands of the gas tank, it does so without ever once violating our conviction that extraordinary performance is the one rational justification for owning an expensive car.

FEW CARS PERFORMED THIS WELL BEFORE POLLUTION CONTROLS

"Expensive sedans," writes Car and Driver magazine, "tend to ride like pillows when you cruise them and squeal like pigs when you push them."

A bit caustic perhaps. But, an analysis that makes the performance statistics of the BMW 528i seem all the more remarkable.

Round a particularly hair-raising curve and the legendary BMW suspension system—independent on all four wheels—flexes with a resiliency that makes one feel as if the car were built into the roadway.

Press the accelerator and the 528i's fuel-injected, 2.8-liter, overhead cam engine responds in a manner that can only be described as exhilarating—even by pre-pollution control standards.

Yet, the BMW 528i (with 5-speed standard transmission) delivers $\boxed{18}$ EPA estimated mpg, 30 estimated highway mileage and, based on these figures, an mpg range of $\boxed{295}$ miles and a highway range of 492 miles.

(Naturally, our fuel efficiency figures are for comparison purposes only. Your actual mileage and range may vary, depending on speed, weather and trip length. Your actual highway mileage and highway range will most likely be lower.)

LUXURY NEEDN'T BE MERELY A FACADE.

One's taste for luxury would have to be insatiable indeed to imagine an appointment or convenience lacking in the 528i.

AM/FM stereo cassette, full-power accessories, air conditioning, and the like, are all standard equipment.

Yet each and every facet has been strategically engineered to help eliminate the enormous strains of driving.

Its seats are anatomically shaped buckets. Its front seats are so thoroughly adjustable that it is all but impossible not to find a comfortable driving position.

All in all, in a time of lowered automotive expectations, amidst increasing mediocrity, the engineers at BMW have actually improved the BMW 528i.

If you find the notion of owning such a car more than a little intriguing, we suggest you phone your nearest BMW dealer and he will arrange a thorough test drive for you.

THE ULTIMATE DRIVING MACHINE.
BMW MUNICH GERMANY

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The first stage: new models come in small packages

meters, does it all, taking readings of operating conditions such as load, engine speed, and temperature and determining the best fuel injection and ignition settings for just those conditions.

As most mechanically inclined drivers know, the amount of fuel to be fed into an engine and the point in time when spark plugs fire is determined according to load (that is, how hard the engine is pulling), speed, and temperature. Of itself this is nothing new—even carburetors and mechanical ignition systems do this.

The question is, how accurately do they do it—and the answer is, there are many compromises. The whole point of this underhood electronics revolution has been to get closer to the ideal fuel dose and ignition timing for all conditions, to eliminate the compromises inherent in conventional systems. Electronic fuel injection was a big step forward, electronic ignition was another, and now bringing the two "under one roof" is yet another.

When engineers program a fuel injection system for an engine, they do it by a painstaking, step-by-step method that recognizes the uniqueness of each engine design. In the laboratory a test engine is set up to drive a dynamometer that simulates the loads that will be imposed on the engine by the car itself—air resistance, weight, the "drag" of tires rolling on the road, inefficiencies of gears, bearings, and the like. Then running that engine on the dynamometer with strictly manual controls, they establish the best setting for the injection system—that is, just how much fuel it's going to need to deliver—for each combination of speed and load. Finally, the electronic computer of the injection system is programmed to deliver just that amount for that combination of conditions once the engine is in the car and on the road and to do so automatically.

The same applies for an ignition system. On the dynamometer the timing is adjusted manually for best results, and then the distributor advance mechanisms are programmed to give those settings. Trouble here is that these mechanisms—a centrifugal one responsive to engine speed and a vacuum one to "read" engine load—can only approximate meeting the engine's actual, unique needs. Something more sophisticated is needed if ignition settings are to be as perfectly tailored to them as fuel injection has become.

Motronic accomplishes this. A common microcomputer for fuel injection and ignition, taking in all the necessary signals from the "outer world" of vehicle operating conditions, is programmed by the method just described to signal precisely the right fuel quantity to the injection and spark timing to the ignition, simultaneously and continuously. Thus ignition timing is no longer a mere approximation of the ideal; engineers can program the sparks just as accurately as the fuel "squirts" and gain a valuable increment of emission control and fuel economy at the same time.

The principle at work here is that ignition advance—the time interval by which a spark plug's "zap" precedes the arrival of a piston at the top of its cylinder—is a critically important matter for a gasoline engine. In general, it should be as great as possible, up to a limit where diminishing returns set it, for best engine response and maximum efficiency. "A lot of spark advance gives you a free-running engine," is the way mechanics and engineers like to explain this to the layman.

Too much spark advance, however, can result in "clatter" or spark knock—step down hard on the accelerator at low speed and the engine gives off a sort of ringing sound. At best spark knock is annoying, at worst it can destroy an engine. What the engineer wants to do is get as close as possible to that point without actually getting there; this is called "operating at the knock limit." But to allow for the mechanical inaccuracies of conventional systems, he was forced to design in a safety margin to make the engine operate at a safe distance from the knock limit for all conditions. This meant that, under some conditions, it would be too far from the limit for best efficiency.

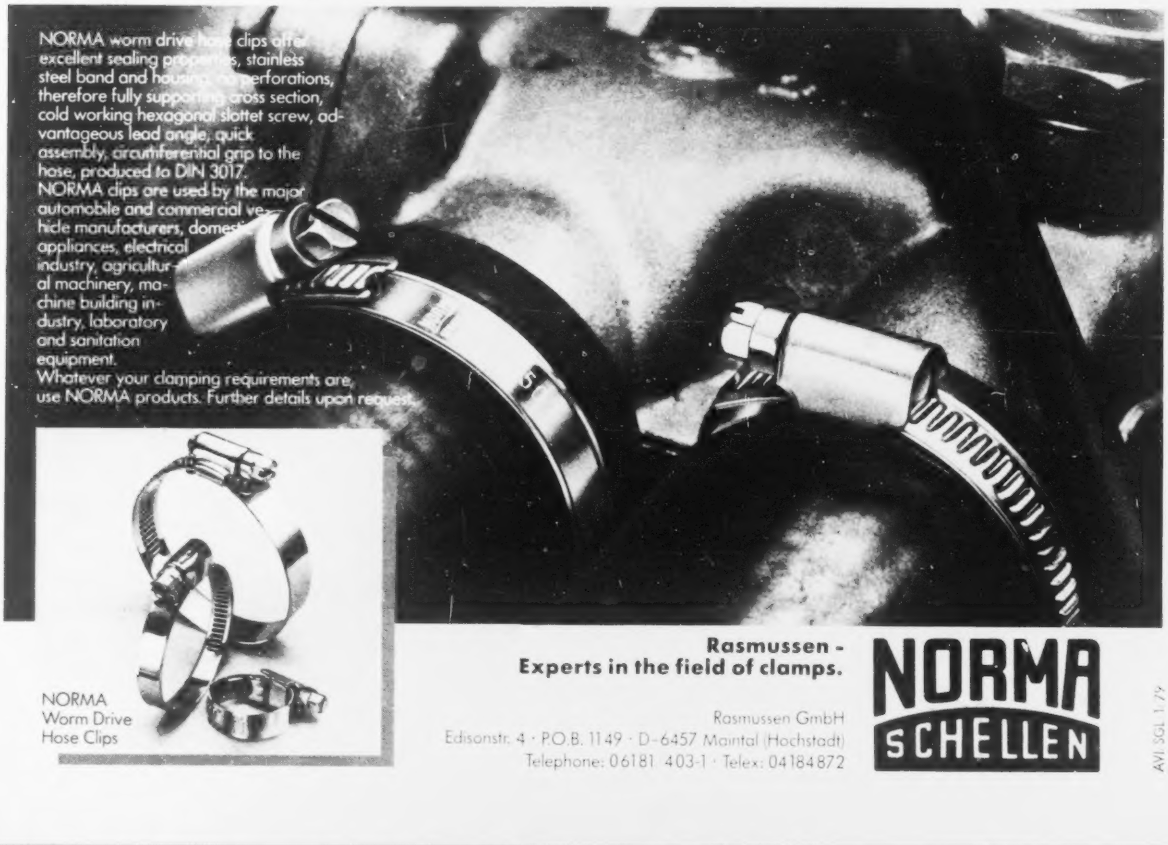
Emission control brought a new factor into the equation. Under certain circumstances, it was found, lower emissions were achieved by using even less spark advance than a safe margin from the knock limit would dictate, so engineers were forced to compromise engine behavior even further than they would have needed to otherwise. The latest catalytic converter developments, however, have relieved them of that necessity; once again they can program ignition systems with the most pleasant and efficient engine operation in mind.

So a computerized system like Motronic, working in concert with a three-way catalyst and Lambda Sensor, will eventually do the same job for tightly emission-controlled engines that it is now doing for the BMW 732i under Europe's not so stringent emission regulations. In fact, yet another element will ultimately find use with Motronic: the so-called knock limiter which accounts for variations in fuel quality by electronically sensing spark knock when it begins to occur and instantaneously adjusting timing to stop it. This allows engineers to get even closer to that knock limit—in reality to step ever so gingerly into it, regardless of what fuel happens to be in the tank, without ever risking unpleasant or destructive spark knock.

Amazingly, Motronic does not introduce new complications under the hood, at least as far as the number of systems is concerned. Its microcomputer is naturally an electronically complex device, but the reliability of modern solid-state circuitry is well established, and given the necessity of controlling both ignition and fuel injection with great precision, Motronic is less complicated than two systems to do it separately. Assuming that it lives up to reliability expectations, the system actually reduces maintenance; it requires absolutely no routine service and is designed for the life of the car's engine itself. Even the traditional "set timing" procedure is eliminated from the maintenance schedule.

Thanks in part to Motronic, BMW's fleet of models for the European market shows substantial gains in fuel economy for 1980—about half, in fact, of the increase pledged voluntarily by the German auto industry for 1985. In the U.S. the Bavarian car maker is already two years ahead of national fuel economy standards. The Motronic system thus becomes a sort of trump card for American and other export markets, ready to make its contribution toward greater efficiency once BMW engineers and production people have gained at home the experience they consider necessary before going into distant export markets with a new model or fresh technology. ■

Small "torque" about hose clips.



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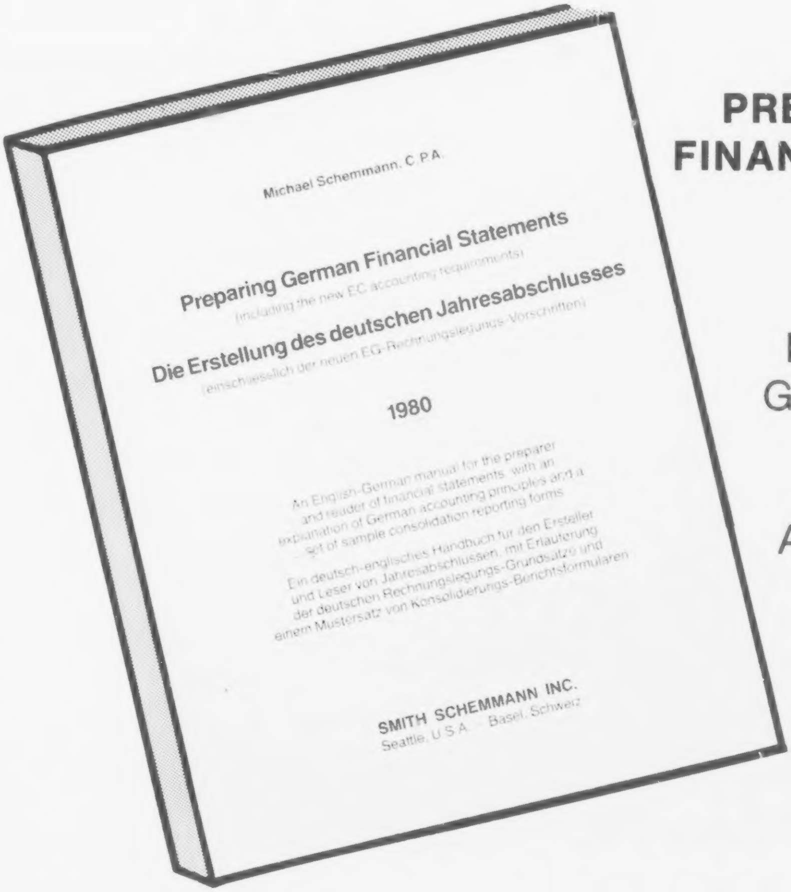

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Total Energy Research at VW

VW assembly in Westmoreland, Pennsylvania: research and development conducted in Germany today will provide jobs in the company's plant tomorrow.

In the January 28, 1980 issue of "Automotive News", International Editor Jan P. Norbye discussed current efforts by Volkswagen to produce thriftier cars in this decade. Based upon extensive interviews with Volkswagen executives, Norbye has produced the most comprehensive picture of VW's impressive research program to date.

"We have a big research budget," says Dr. Ulrich Seiffert, Volkswagenwerk's research director in Wolfsburg. "I cannot give you the figure in D-Marks or dollars, but can easily calculate it. We have a staff of 600, and 350 of them are engineers, so you have an idea of the research payroll. You have seen our laboratories, computer centers, the wind tunnel and other facilities, and can estimate the investments and operating costs." It would be safe to conclude that Volkswagen's automotive research budget is second only to that of General Motors.

Seiffert's philosophy of research is result-oriented. "All our projects have goals. We never start anything with the idea of, 'let's just do research.' We must see an end in our research, whether it's 20 years away or 50. "We tend to set high goals in the definition phase and then set the time table. Every new idea, every new part, is aimed for use in a production car."

All current projects come under the heading of total energy research. Five main areas are identified:

1. Fuel consumption.
2. Safety.
3. Emissions.
4. Noise.
5. Traffic systems.

Safety research is not aimed at reaching the ultimate in occupant protection (or pedestrian protection), but at a more close-to-home concept which Seiffert prosaically calls, "No loss of safety."

What that means is practice in that no backward steps in safety can be tolerated, and progress in safety can be made when possible conflicts with fuel-consumption targets or cost considerations are resolved.

- VW Research is now working on car concepts for the 1990's. Projects scheduled for production in the 1980's are handled by another department, Development, under the direction of Wolfgang Lincke. Both Lincke and Seiffert report directly to Dr. Ernst Fiala, vice president for research and development. "A basic change in the car requires accurate aim and precise timing," says Seiffert.

It takes maybe 15 years to go from idea to production. The definition phase for a project can take up to five years. New jobs are written into a 10-year time frame, with specific milestones that must be reached by certain dates in the interim. Programs are eliminated if they fail to reach the milestones. The chosen course for the research that will lead to the VW car of the 1990's is most evident in the VW 2000 prototype, a project that is partly sponsored by the West German Federal Ministry for Research and Technology (BMFT).

Under the terms of this contract, prototypes are to be delivered to the BMFT by the end of the 1980's, which limits the possibilities for including radically new technology in these cars. Volkswagenwerk's own long-term research programs go well beyond the technical specifications of the VW 2000. The VW 2000 is a two-door, four-seater sedan built on the VW Golf wheelbase, with closely similar overall dimensions. It has a low-drag lightweight body, and a number of different power trains are being tried out.

Power trains

Engine types are selected on the basis of fuel: Gasoline, methanol and diesel oil.

1. Gasoline engine (four-cylinder, 1,100 cc) with high compression and electronic knock-control detector, electronic fuel injection, electronic

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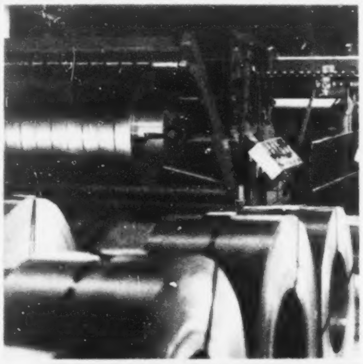

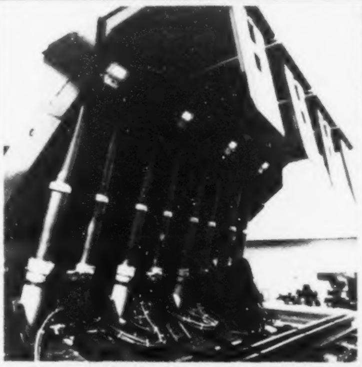

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ignition and a small-diameter turbocharger. The turbo comes in early (at low RPM) but works with a low pressure ceiling of 1.4 Bar. This engine is combined with a new type of automatic transmission. It consists of a low-slip hydraulic torque converter with a lockup clutch, plus a very compact planetary gearset giving four forward speeds (overdrive on top gear).

Paulus Heidemeyer disclosed, however, that his group is studying stepless transmissions, with the leading candidate similar in principle to the Van Doorne Transmatic, which is now under development at Fiat and Borg-Warner. It is centered on a chain drive between variable-diameter pulleys made of dual cones, one cone fixed and the other axially movable. Traction drives on the Nayes/Perbury principles have not been ruled out, however.

2. Methanol fuel engine will be adapted from the gasoline-fuel unit.

3. Diesel engine (three-cylinder, 1,200 cc) with direct injection and mechanical supercharger. It is combined with a five-speed manual transmission and an automatic stop/start system that shuts off the engine under coasting and idling conditions.

The engines are based on existing single—overhead—camshaft production units. The gasoline and methanol ones are aluminum-block versions of the 1,100 cc Polo/Golf engine. The small displacement was chosen to maximize the time it's operating with high mean effective pressures (lowest specific fuel consumption).

That gives the best fuel economy in urban driving, but the engine does not have enough torque to meet the acceleration target. The turbocharger takes care of that, boosting maximum output to 51.5 kW at 6,000 RPM.

- The diesel engine represents three cylinders of the 1,600 cc Gold GLD four-cylinder unit, with an aluminum block and a new 120-degree crankshaft. Cast-iron cylinder liners are Nikasil-coated for a hard-wearing surface that's compatible with the aluminum pistons (whose rings have reduced prestress to minimize friction losses).

The pistons have the combustion chamber recessed into the crown, an open deep-dish design with a raised center. Its shape is intended to preserve the swirl generated in the air flow by the curved runners to the intake ports.

Three normal-size cylinders were chosen in preference to four smaller ones because of the lower internal friction and reduced pumping losses. Direct fuel injection was chosen instead of the swirl-chamber design of the Golf GLD.

Ing. Erich Gaschler says that direct injection gives 10 to 15 percent better fuel economy. Test engines have severe noise and roughness problems that he expects will be licked.

Power output is inadequate with the engine running with atmospheric aspiration. It needs supercharging in one form or another. Turbocharging was rejected because it's most effective at the high end, and not at low speed where its boost is most needed.

Instead, a mechanically driven vanetype compressor was mounted on the first test engines. A Roots-type blower is under consideration as a second possibility, and the BBC Comprex pressure-wave supercharger is not totally excluded. The engine delivers 31-32 kW at 4,000 RPM, the compressor being responsible for 5-6 kW.

- The electronically controlled start/stop system is fully automatic, and the transmission semi-automatic. When the accelerator is released, the clutch disengages the engine and the fuel supply to the engine is stopped. Depressing the accelerator restarts the engine and the clutch engages engine and vehicle when the speeds are equal. Stopping and restarting the engine does not take more than 0.2 seconds. "In stop-and-go traffic, this system can save 20 to 25 percent fuel," claims Paulus Heidemeyer, its inventor, adding, "and it eliminates air pollution in the most critical environment."

He admits that the system may not be suitable for cars equipped with air-conditioning or power steering, which need continuous engine operation for those systems. But for small economy cars, it can make a major energy-saving contribution.

Aerodynamics

"A 30-percent drag reduction from current production cars is possible, with a variety of different shapes and body types," says Rolf Buchheim, manager of VW wind tunnel. Today's Wolfsburg-built Golf has a drag coefficient of 0.42, carefully optimized from the 0.48 of the final Giugiaro design by a series of small changes that did not alter the styling theme, or the practicality of the body.

The starting point was an "ideal form" already available in the overall dimensions of the Golf. Tests showed that a Cx of 0.16 was attained, which is an excellent result for a car-like shape. Only the flat-bottomed "bullet on wheels" of W. Klamperer of Zeppelin Werft reached a slightly better value, with 0.15.

The next step was to turn the bullet shape into a car without upsetting the airflow characteristics. Several intermediate steps were tried out, with variations in the hood, roofline and tail end designs. Out of it all emerged a basic shape that was clearly intended as an automobile. It has a Cx of 0.18. But it was a long way from being a practical car. It failed to meet legal requirements. The windshield angle was so rakish that light-refraction problems jeopardized the forward view, and the high tail did not permit an adequate rear view. There was not sufficient installation space for existing power trains and their accessories.

Remedies for these drawbacks were found, while remaining faithful to the basic shape as much as possible. The result was a basic model with a Cx of 0.24. But a model is not the same as a real car, even with revolving wheels and ducts for internal air flow.

The basic model evolved without regard for appearance or producibility. Stylists and body engineers will make changes that add something to the drag coefficient. Still, the styled body in its present form has a Cx value of less than 0.30.

Weight control

"You get to a point where it costs too much money to save any more weight," says Harald Schimkat, body structure and safety engineer. "How much lightness is the car buyer willing to pay for?" Two principal approaches have been used to save weight in the VW 2000. First, the ratio of useful area to traffic area. A great effort was made to reduce the total body surface to a minimum without giving up any useful space. Less surface means less material, less weight and lower cost. The average VW today has a surface/volume ratio of about 0.45, and Schimkat thinks it's possible to get to 0.57. "And the VW 2000 will actually be a little roomier than the Golf, with more luggage space," says Styling Director Herbert Schaefer.

The second approach is material substitution. That means, in practice, taking out steel and putting in aluminum and/or plastics. "A 17-percent weight reduction in the Golf body is a realistic target to be reached by material substitution alone," says Schimkat. That would mean removing enough steel to bring the car's total steel content down from 69 to an even 50 percent, while raising the plastics content from 10 to 18 percent and the aluminum content from 3 to 11 percent.

The high cost of plastics is a problem. "But if you can combine several parts into one, the cost of plastics will come down," Schimkat says. "Or if you can use one sheet of plastic to replace three layers of steel."

"Material substitution is possible for all parts," says Chassis Engineer Andreas Bauer. "We are working on a rear axle in plastics, using finite element analysis. It means a total redesign. It will do the same job, but it will look quite different. When we've done the rear axle, we can carry over the same techniques to other parts." In connection with the VW 2000 project, particular thought was given to production technology and assembly processes. The job environment was given strong emphasis. Repairs must be simple and easy. Recycling was kept in mind throughout.

Alternative power

"After consideration of everything, including steam engines and Stirling-cycle units, we selected two possible alternatives that we consider worthy of development," says Dr. Peter Walzer, one of Seiffert's top assistants. "One is the gas turbine, and the second, battery-electric vehicles."

Walzer led the development of the GT-70 (in consultation with Williams Research Corporation) in 1970-72, and in 1976 created the GT-150, installed and tested in an NSR Ro-80 (in which a twin-rotor Wankel was the standard power plant). "We have a good turbine, but basic problems remain," says Walzer frankly. "It is reliable and has fine performance, but needs better driveability. Emissions levels are too high, and part-load fuel consumption must come down. It is clear now that the gas turbine car must wait for new ceramics, to permit operation with turbine inlet temperatures above 1,350° C. Ceramics with high thermal resistance such as silicon nitride and silicon carbide, lack strength. They lose strength with time and in temperature cycles. Some last only 50 hours. But we continue."

- VW'S battery-electric vehicles are undergoing fleet tests on three continents. The typical vehicle is a Transporter with a 17 kW DC motor drawing its current from a pack of 6V lead tube cell modular batteries, installed in ventilated boxes. It has a range of 50 to 70 km depending on how fast it is driven.

Electric energy can be generated from a number of sources, and dense electrical supply networks exist in large parts of the world. Electric vehicles can be attractive and economical for short-distance transport duties. "We have to analyze the energy chain," Walzer explains, "If we start with coal, we can burn it to generate electric energy for the battery-driven vehicle. But we could also produce synthetic gasoline from it. The question is, where do we suffer the least energy loss?"

Fleets of test cars running on alcohol-based fuels have also been built by VW Research. One of its developments is already in production in Brazil.

Dr. Winfried Bernhardt, senior research engineer, leads a program to look for better ways to make motor fuel and find the right engine for using the fuel. In his view, coal-derived fuels will be the main replacements for petroleum-based fuels in the industrialized world, while alcohol produced from biomass will be most widely used in the agricultural world.

- Both diesel and gasoline engines can be converted to run on alcohol.

"In fact," Bernhardt points out, "as emission control standards for diesel in the U.S. become stricter, adding alcohol to the fuel may become necessary for cleaner exhaust."

A further possible source of motor fuel is algae, grown in high-yield marine culture farms. "Algae can be transformed to biogas (CH_4 CO_2)", explains Bernhardt, "and by removing the CO_2 the biogas can be converted to methanol. If methanol is going to be the motor fuel of tomorrow, the world must build plant capacity today," says Seiffert, "We are testing ethanol and methanol in large-scale experiments, because Volkswagenwerk must accept responsibility for the freedom of transportation. We must have the knowledge to force others to act if they don't do it on their own." ■

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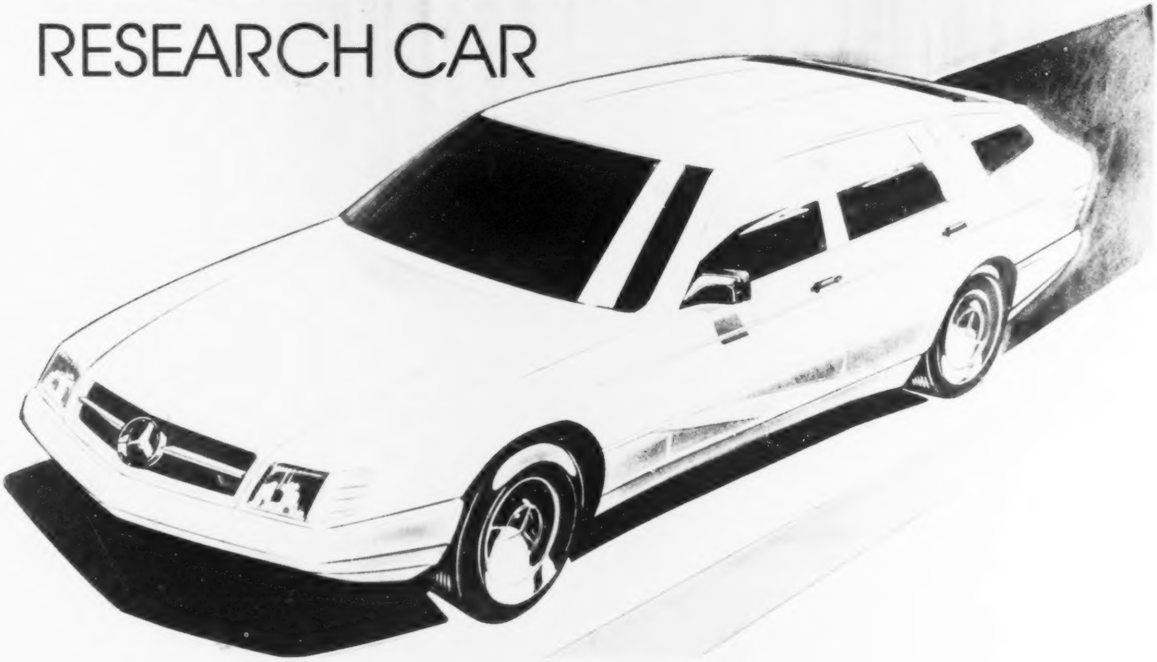


The concept of a Mercedes-Benz research car offers a means of meeting the demands for the conservation of energy and raw materials, environmental protection, safety, economy and practical value which are going to become ever more urgent during coming decades. In contrast to former projects in which further development was concentrated on one special aspect of research such as automotive safety or alternative fuels, various novel, future-oriented technologies concerning all the relevant areas have been incorporated in one overall concept.

Thus Daimler-Benz is taking part in a research project which has the support of the Federal Ministry of Research and Technology, whose purpose is to develop and test a vehicle for individual transport for the future within the space of rather less than four years.

The projected sedan is the logical response to prognoses which foresee greater distances being covered in business travel and by industrial transport, and heavier holiday traffic which will result from people having more leisure time. The Mercedes-Benz research car must offer plenty of room and a very comfortable ride, adequate luggage space and sufficient engine power despite lower energy consumption, and at the same time greater economy, greater environmental protection and safety: an assignment which presents a real challenge to the Untertürkheim engineers. The best answer to the future problems of energy and the environment is not to be found merely in the reduction of the amount of room, the weight of the car or the size of the engine.

For instance, in order to maintain worthwhile results, energy-saving measures must be directed towards the typical uses to which the improved car is to be put. Based on investigations into the distances covered and the speeds of typical vehicles, it has been determined that cars of more than two liters capacity do 75% of their mileage on the main roads and highways, the gas turbine's special characteristics offer a promising alternative to the reciprocating piston engine. Progress made in ceramics research permits the hitherto existing working temperature to be raised so that, compared with current vehicle turbines, it has been possible to reduce fuel consumption by at least 20%. Over the next ten years the Daimler-Benz reearchers foresee the design of a gas turbine with an output of 110 kW and, depending on the manner of driving, consumption of between 10.1 and 8.3 liters per 100 km.

At the same time, research is going into conventional components for the research car, such as a V-8 light alloy engine which can switch over from 6 to 4 cylinder operation for saving energy, and a V-8 light-alloy diesel engine with a low-soot pre-chamber.

With the same output, however, in the top performance vehicles the turbine alternative offers advantages regarding fuel consumption and the possibility of using various fuels, the amount of exhaust emission, smooth running, weight and, not least, maintenance.

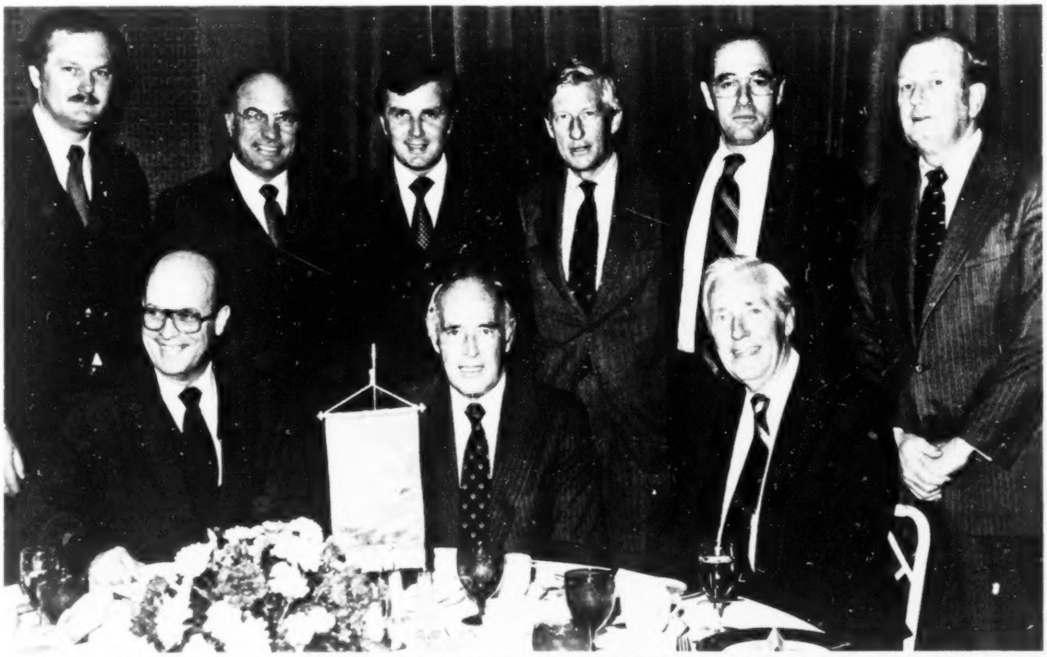
The demand for the lowest possible fuel consumption will in part be met by the research car's aerodynamically optimum shape, which nonetheless makes getting in easy and offers enough room. The Mercedes-Benz stylists are endeavoring to achieve a figure of 0.6 m^2 as the product of the drag co-efficient and cross-section area by rounding off and sloping the front end, by making the cross-section smaller and by ensuring that the rear end has a low drag factor. The figure for cars of a similar size is currently still about one-third higher.

The energy savings-conscious motorist will be able to choose from three programs for economical town and country driving as well as for traveling on fast arterial roads and thus to influence output, engine speed and gear selection by means of a computer.

Electronically controlled starting, braking and steering assistance and a radar spacing system will be used to improve active safety while improved safety belts and airbags, better protection against collisions from the side and a new front end structure should increase passive safety.

The demand for greater economy and utility value is to be achieved by using new types of materials. Further development in electronics technology means that a monitoring computer can be used for all the important components or so-called trip and route computers which give the driver data about the state of the vehicle and the shortest route connections.

It is still too early to submit genuine results, and even at the end of the four years, despite the intensive efforts made, the outcome will not be a new type of car about to go into standard production but solely the experimental model of a vehicle that can show the direction that future work on development for standard production will take. However, it is already quite clear that the demands which tomorrow's individual transport makes will not have to be bought at the expense of the quality of the ride. As regards personal transport, there will still be enough scope and a wide variety of choice on which decisions can be based. ■



On February 22 Mr. Karlfried Nordmann, President of Mercedes-Benz of North America, talked to over 100 businessmen at the Ritz-Carlton Hotel in Chicago at a luncheon given by the German American Chamber of Commerce of Chicago about the challenges of the U.S. market.

From Left to Right — Standing: Hermann Buerger, Sen. Vice Pres., Commerzbank AG-Chicago Branch, Clayton Yeutter, President, Chicago Mercantile Exchange, Juergen Thode, Dresdner Bank AG-Chicago Branch, William D. Clay, Vice Pres., European American Bank-Chicago, Leo Levine, General Manager, Mercedes-Benz of North America, Montvale, New Jersey, Robert D. R. Johnson, General Manager, Mercedes-Benz of North America-Chicago.

Sitting: Niels G. Friedrichs, Managing Director, German American Chamber of Commerce of Chicago, Guest Speaker Karlfried Nordmann, President, Mercedes-Benz of North America, Inc., Montvale, New Jersey, Earl R. Fiene, President and Chief Exec. Officer of Robert Bosch North America, Inc., Broadview, Illinois and President of the German American Chamber of Commerce of Chicago.

Bellotto: Picture of old Munich

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The Dollar and the D-Mark: Unequal Partners

The following address was presented by Dr. Otmar Emminger, the recently retired chairman of West Germany's Bundesbank, at a luncheon sponsored by the German American Chamber of Commerce on January 29, 1980 at the Plaza Hotel in New York City.

The relationship between the Dollar and the DMark has over the last few years moved more and more into the center of the foreign exchange system of the world. There is even talk about a "Dollar-Mark Axis" (the title of a recent book). Let me briefly illustrate the special relationship between the Dollar and the DMark:

First, the DMark has become the most actively traded currency in the U.S. foreign exchange market. In 1969 it still held the third place while the British Pound was first with a preponderant share. In the meantime the Pound and the Mark have swapped places (according to a survey by the Federal Reserve Bank of New York in 1977).

Second, since the beginning of 1978, when the period of "benign neglect" drew to an end and American monetary authorities began to support the Dollar more actively through intervention in the markets, more than nine tenths of all the American currency interventions were in the DMark/Dollar market, only a very small residual amount being made with Swiss Francs and Japanese Yen.

Third, as a logical consequence, when the United States authorities in November 1978 decided upon a comprehensive Dollar support program including setting up a large pool of resources for intervention ("30 billion Dollar pool"), they concentrated their effort mainly on accumulating DMark funds and facilities: drawing DMarks in the IMF and through sales of SDRs to the Bundesbank, doubling the mutual swap facility between the Federal Reserve and the Bundesbank (from 3 to 6 billion Dollars), and selling U.S. Treasury notes and bonds in the German capital market. The sale last week of DM 2 billion of so-called "Carter Notes" in Germany has brought the total sale of such DMark-denominated U.S. notes and bonds up to DM 9.5 billion—a considerable amount for the medium-sized German capital market. (The last issue of "Carter Notes" at 8.5 percent interest gave the Treasury a 3 per cent interest advantage over similar Dollar notes here).

What all this amounts to is that the *DMark has become both the intervention currency* and *the major reserve currency for the United States.*

A *fourth* illustration of the special DMark/Dollar relationship is provided by the fact that many observers, especially from the news media, have become accustomed to measure the exchange value of the Dollar largely by its movements against the DMark. This one-sided concentration on a bilateral relationship can lead to misleading—and potentially damaging—views. To give you an example: From the end of 1978 to the end of 1979, the Dollar lost over 5 percent against the DMark, and this has often caused exaggerated and dramatized reports about "Dollar weakness," etc. In reality, on a weighted average against all important currencies, the Dollar gained over 2 per cent (mainly due to the sharp drop in the value of the Yen—but is the Yen less important for America's competitive position than the DMark?). Thus, since the beginning of 1979, the Dollar has been not "weak" but—relatively speaking—"strong."

I said that this one-sided bilateral view of movements in the Dollar value may do damage. You may remember that the OPEC countries declared in June 1979 that they would lift the price of oil if the Dollar would sink by more than 5 per cent. I made quite an effort to try to convince some of their leaders and experts that they could not measure the Dollar value simply in relation to the DMark, and that on a weighted average (weighted also in relation to shares of supplier countries in OPEC imports) the Dollar had become stronger during 1979. (The OPEC countries increased the oil price nevertheless, but for different reasons).

A *fifth* example for the special relationship between the Dollar and the DMark is the fact that German economic policy measures that may have an influence on the exchange rate are viewed in the United States with particular attention, and sometimes even suspicion. This is particularly true of German interest rate policy. When Britain last summer boosted its rediscount rate at one stroke from 14 to 17 percent there was hardly a ripple in American newspapers, although this was bound to increase the value of the Pound in relation to the Dollar. When the Bundesbank increased its rediscount rate from 4 to 5 percent last July, and again from 5 to 6 percent in November (with the Lombard rate one point higher respectively) there was nearly an outcry in parts of the American press, and one Congressman last July criticized Germany for its alleged "supertight" monetary policy which in his view was forcing the Fed to boost its own interest rates to prevent a run from the Dollar looking for higher German interest rates (which in reality were 4 to 5 percent *lower* in the relevant maturities), and that all this might lead to a depression that could sink the whole free world. Now the Fed has actually let its short-term interest rates go up, but not in a competitive race with German interest rates—which were very much lower anyway—but as a consequence of limiting domestic monetary expansion and fighting domestic inflation. There was no interest rate-induced run from the Dollar into the DMark, and the DMark increased its value against the Dollar far less than the British Pound.

As a further example of the special status placed by Americans, not just on the DMark alone but on the German economy as a whole, I could also adduce the "famous" locomotive theory of the years 1978/79 (when we shared the honor of being singled out for a special relationship with Japan).

This special position and role of the DMark as the main counterpart currency to the Dollar, in the sense of being

— the chief intervention currency for the Dollar,
— the chief currency of reference to the Dollar,
— the chief reserve currency of the United States,
— and the second reserve currency of the world (to alleviate the burden on the Dollar)

was not sought by us, it was rather thrust upon us, and thus on the DMark. I need not explain that this new international role of the DMark has sometimes been quite a restraint or even a burden on our monetary and economic policies: on our exchange rate policy, our intervention policy in the Dollar market, our money supply management, our interest rate policy.

Occasional criticism.

Thus it was sometimes imputed to us that we had intervened massively in order to limit the appreciation of the DMark for the benefit of our exporting community. A little later we were suspected of exactly the opposite policy, i.e., of letting the Dollar fall in order to cheapen import prices in DMark. In reality we did neither of the two. We kept to the rule of the IMF that exchange rates should not be artificially manipulated either way.

What we have done, however, was to observe another obligation under the IMF rules, namely to intervene if this was necessary *to counter disruptive exchange rate movements and to avoid disorderly markets*. For the rest, we let fundamental market forces play their role. We are not interested in large-scale interventions, on the contrary, because they are apt to swell our domestic money supply and to undermine our money supply policy. What has often not been understood is that exchange market intervention by the Federal Reserve in the New York market with DMarks obtained from the Bundesbank (or from American deposits held at the Bundesbank) has the same effect on our domestic money supply as if the Bundesbank itself had purchased Dollars against newly-created DMarks (and the American DMark sales in support of the Dollar usually appear also in the Bundesbank's balance sheet as an increase in our net foreign exchange holdings—which often causes misunderstandings).

At yesterday's ABA meeting the intervention policies of central banks were criticised as being ineffective, that is to say: because they couldn't prevent the adjustment of the exchange rates to underlying fundamental factors anyway. To which I replied: But we did not really want to prevent this adjustment anyway! By intervening in the market we only wanted to achieve the adjustment in a more orderly fashion, and not by extreme jumps in the exchange rates. It seems to me that the exchange rate policy of the Bundesbank is the most widely misunderstood part of our monetary policy.

Headquarters of the German Bundesbank in Frankfurt

Our *medium-term overall goal* would be to get the exchange rate of the DMark to move grosso modo in conformity with the differences in inflation rates between West Germany and a weighted basket of important other currencies. This goal is not easy to achieve, because in the short run other influences than the inflation differentials can exert a powerful influence on exchange rates, too (growth differentials, current account balances, interest rate differentials).

As we share responsibility for the DM/Dollar market with our American friends, it is important that we see eye to eye with them on these principles. There is very close technical coordination between the two central banks day by day. And I am happy to report that the two sides are also in agreement on the principle that mere *intervention in the exchange markets cannot have a lasting effect on the exchange value of the Dollar*, that it all really depends on the fundamental factors. The meeting of leading personalities from both sides last September in Hamburg has greatly helped to strengthen this understanding.

Interest rates, too, are much overrated in their influence on exchange rates. They can only be a temporary influence—except insofar as they have an impact on inflation.

You may remember that when the Bundesbank increased its official rediscount and lombard rates, we were criticized abroad, especially by some American observers who believed that Germany's "super-tight" monetary policy was forcing the Fed to boost U.S. domestic rates "to prevent a run from the Dollar looking for higher German interest rates", and that this might contribute to plunging the world into a recession.

Now it is a fact that even our increased German official rates of 6 and 7 percent were not higher but far, far lower than short-term interest rates in this country, and they have also been constantly lagging behind market interest rates in Germany itself. But the main misunderstanding lies in the following: West Germany has pursued a monetary policy of limiting the expansion of the money supply according to a fixed target, in the interest of domestic stability, and interest rates are just the *result* of this quantitative management of the money supply.

Similarly, the Federal Reserve has not set its short-term interest rates in competition with German rates, but has geared its monetary policy to the needs of fighting domestic inflation—and clearly, with a double-digit inflation rate, the Fed's interest rate is bound to be considerably higher than the German one. Thus, to use Mr. Volcker's words (from a statement before a Congressional Committee in November 1979), the notion of an "interest rate war" is unwarranted "in circumstances where the countries concerned are responding reasonably to inflationary pressures in their own economies". Let me sum up: If there was an international escalation of interest rates last year, it was in response to an international escalation of inflation, and not a competitive race for exchange rate reasons.

International responsibilities

I think I can say that we in Germany have tried as best we could both to pay regard to the temporary difficulties of the Dollar, and to conform to the general international responsibilities of our country in the field of economic and monetary policies.

Let me illustrate this by two examples: First, the German economy has responded well to the stimulative policies of the Government and the Central Bank, so that it has become, with a real growth of GNP of 4.5 percent and of imports of over 10 percent, a major support for the European economy, just in time when the U.S. economy lost its impetus. This may, together with the present strength of the Japanese economy, help to prevent an American recession from dragging down the whole world economy (on the pattern of 1974/75).

Second, contrary to a wide-spread popular impression, the DMark/Dollar market was relatively calm in 1979 (in contrast to the turbulences in 1977 and 1978). The exchange rate of the Dollar, as a weighted average against the other major currencies, increased from end-1978 to end-1979 by several percentage points. As the American inflation rate was higher than the average inflation rates in these other countries, the Dollar experienced also a "real" appreciation, which partly offset the "real" depreciation of 1978. *Thus the Dollar became not weaker but stronger over the year.* The DMark, on the other hand, gained 5.5 percent over the Dollar and 3.5 percent on a weighted average basis against all important currencies—which, on average, corresponded nearly exactly to the inflation differential. This was the most stable year for the DM/Dollar relationship for a long time—and this was probably also due to the good technical cooperation between the Fed and the Bundesbank.

Similarly, in 1979, although there were occasional large movements of funds both out of and into the Dollar and the DMark, the end result on balance was a net inflow of foreign funds into the Dollar, and a loss of foreign exchange of about DM6.5 billion for West Germany.

This widely "unrecognized strength" of the Dollar was largely due (a) to the improvement of the U.S. current account balance (which contrasted with the deterioration of the Japanese and German current account balances), and (b) to the Volcker package of monetary measures of last October.

In the longer run, the strength of the Dollar will essentially depend upon the "fundamentals"—or to quote Mr. Volcker again: "The stability of the foreign exchange markets ultimately rests on U.S. ability to cope with inflation".

I should have added some considerations on the problem of *reserve diversification and the role of the DMark in it.* But time does not permit that—except to mention that for the time being this problem appears to have lost some of its topicality. But it may become more acute again as OPEC countries continue to accumulate massive amounts of foreign exchange.

As a reserve currency, but also in other respects, the DMark can never replace nor even approach the importance of the Dollar. It is a fact that over one half of world trade is still conducted in terms of Dollars, while the share of the DMark is estimated at some 14 percent. The Dollar can also not be replaced as the main "oil payments currency" (even if it might be replaced as a "reference currency" by a basket of currencies).

The German economy is less than one third of the U.S. economy, our monetary system perhaps one fourth as big as that of the United States. *Thus, the DMark can be no more than a Junior Partner to the Dollar.*

Let me say in conclusion: These troubled times, when both the oil price explosion and the world political tensions cast their shadows also over the world's financial system, cannot but impress upon all of us the conclusion that the Western world must close its ranks to confront these challenges.

We sit in the same boat with the United States, also in the monetary field (even if it is not also comfortable to be in the same boat with an elephant). I can assure you that we in Germany shall try to assist our Senior Partner to keep the world's financial ship afloat. ■

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German-American Economic Review in Figures

	Federal Republic of Germany					United States				
	1977	1978	1979			1977	1978	1979		
			Oct.	Nov.	Dec.			Oct.	Nov.	Dec.
FOREIGN TRADE (in mil $)										
Imports	101,457	121,822	15,736	15,322	14,836	147,644	172,020	18,856	18,422	19,870
Exports	118,070	142,296	16,744	16,172	15,289	120,107	143,570	16,838	17,004	16,792
Balance on merchandise trade	16,613	20,474	1,008	850	453	−27,537	−28,450	−2,018	−1,418	−3,078
U.S.-GERMAN TRADE (in mil.$)										
U.S. imports from Germany	7,868	10,042	1,058	1,084	1,026	7,215	9,961	803	1,016	—
(+)(−) % from previous year	37.1	27.6	−1.5	16.3	16.3	29.0	38.1	−3.9	11.6	—
U.S. exports to Germany	7,338	8,726	1,122	1,137	1,022	5,823	6,815	813	791	—
(+)(−) % from previous year	4.9	18.9	35.3	31.1	3.8	4.2	17.0	23.6	17.0	—
Balance on U.S.-German trade	530	1,316	−64	−53	4	−1,393	−3,146	10	−225	—
INDUSTRIAL PRODUCTION										
(+)(−) % from previous year	2.7	2.6	3.7	5.6	—	5.6	5.8	1.7	0.8	0.3
Iron and steel	−4.8	5.8	7.5	7.7	—	−1.4	9.5	−11.4	—	—
Machines, exc. elec.	−0.3	0.2	5.7	7.9	—	7.3	7.5	3.0	3.0	3.3
Electrical machinery and equipment	7.3	1.1	3.2	5.5	—	7.8	8.7	7.8	7.6	6.7
Chemicals	0.4	5.2	3.2	4.1	—	6.7	5.5	4.1	4.2	—
Road motor vehicles	8.4	2.3	−0.5	3.8	—	13.5	5.4	−15.8	−24.0	—
Textiles	−1.5	−1.1	5.5	6.8	—	0.5	2.1	4.7	4.7	—
Apparel	−4.1	−3.2	−3.5	−2.1	—	1.6	1.7	−6.1	—	—
LABOR MARKET										
Population (in mil.)	61.4	61.3	—	—	—	216.8	218.5	221.2	221.4	—
Civilian labor force (in 1000)	25,044	25,209	25,398	—	—	97,401	100,420	103,595	103,652	103,999
Unemployed (in 1000)	1,030	993	762	799	867	6,855	6,047	6,121	6,044	6,087
Unemployment rate (in %)	4.5	4.4	3.3	3.5	3.8	7.0	6.0	5.9	5.8	5.9
Gross hourly wages in manufacturing (in DM or $)	11.27	11.88	—	—	—	5.68	6.17	6.83	6.85	7.00
(+)(−) % from previous year	7.4	5.4	—	—	—	8.8	8.6	7.9	7.4	8.9
PRICES (+)(−) % from previous year										
Consumer Price Index	3.7	2.7	5.3	5.3	5.4	6.5	7.7	12.2	12.6	13.3
Producer prices for ind. products	2.6	1.2	6.5	6.7	7.0	7.0	7.3	15.7	15.8	16.4
CURRENCY EXCHANGE RATES (avg.)										
Value of $1.00 in DM	2.3217	2.0084	1.7889	1.7750	1.7342					
Value of DM 1.00 in $						0.4308	0.4987	0.5588	0.5647	0.5767

	1977	1978	1978-1979				1977	1978	1978-1979			
			I	II	III	IV			I	II	III	IV
NATIONAL ACCOUNTS												
Gross National Product at current prices (in bil. DM or $)	1,197	1,287	1,262	1,361	1,420	—	1,887	2,107	2,292	2,330	2,396	2,456
(+)(−) % from previous year, real terms	2.6	3.5	4.1	4.4	4.0	—	4.9	4.0	4.6	1.9	1.8	0.8
Balance on current account (in mil. DM or $)	9,831	17,584	2,613	−2,102	−7,549	−1,997	−14,092	−13,478	415	−1,056	762	—
Monetary reserves (in mil. $)	39,737	57,818	56,186	54,583	60,209	60,231	19,390	18,650	21,660	21,240	18,540	18,940
Direct investment, cumulative at period end (in mil. DM or $)												
Direct investment abroad	52,142	58,193	—	61,562	—	—	149,848	168,081	—	—	—	—
—German investment in the U.S.	6,705	8,591	—	10,057	—	—						
—U.S. investment in Germany							11,071	12,746	—	—	—	—
Foreign direct investment	49,253	53,326	—	54,691	—	—	34,595	40,831	—	—	—	—
—U.S. investment in Germany	19,049	19,923	—	20,580	—	—						
—German investment in the U.S.							2,529	3,191	—	—	—	—

Sources:	Statistisches Bundesamt	U.S. Department of Commerce
	Deutsche Bundesbank	U.S. Department of Labor
	Bundesministerium fuer Wirtschaft	Federal Reserve System
	International Monetary Fund	

Money's Worth

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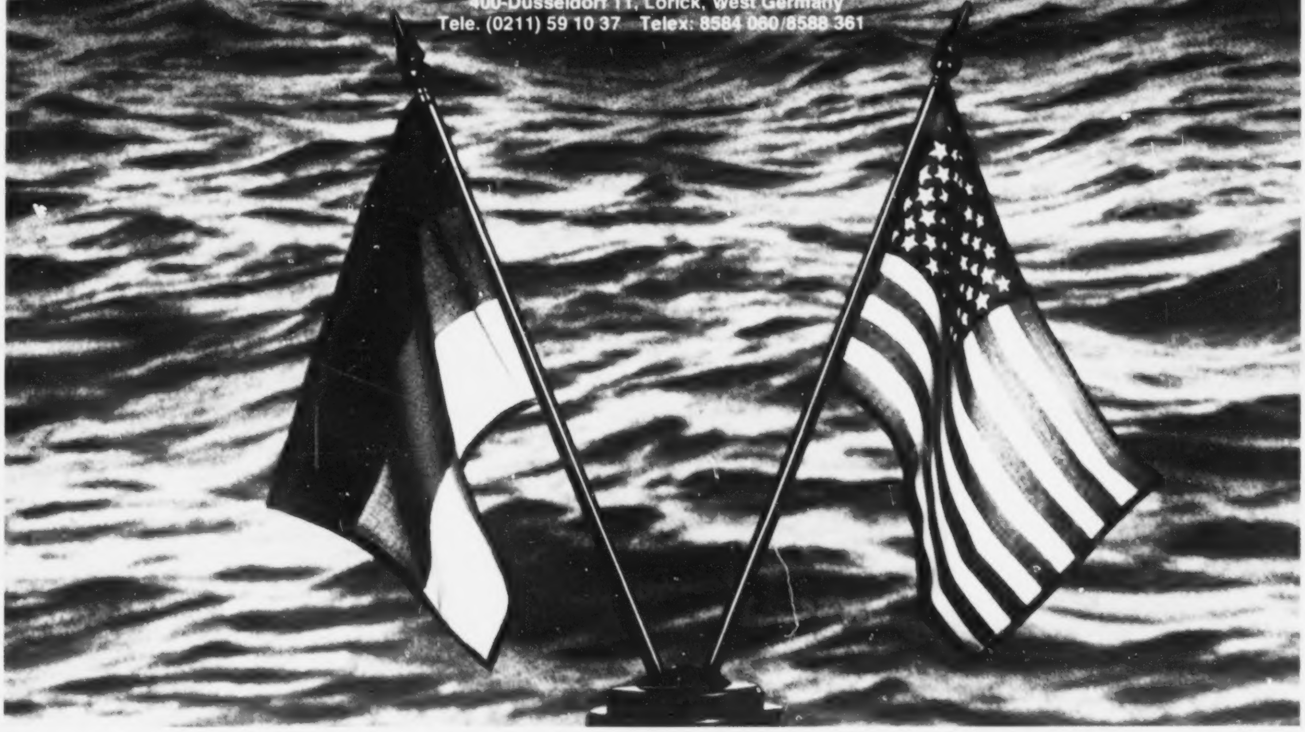

Licenses and Investments

Licensing

Interested in cross licensing, exchange of know-how for production of **various kinds of hydraulic presses for industrial use.** Firm produces hydraulic presses, related equipment. Has a staff of 30, annual sales of $4.5 million. Interested U.S. firms should write Herbert Johannes Doll, Manager, DOLLSON Maschinenfabrik fuer hydraulische Pressanlagen GmbH. Landauer Strasse 197, D-6730 Neustadt/Weinstrasse; Telephone: 06321-12016; Telex: 0454848.

Firm seeks licenses to manufacture **water treatment chemicals.** Firm is partnership established in 1900. Manufactures and distributes industrial chemicals and related equipment through a nationwide sales network. Annual sales $5,500,000. Mrs. Kathia Herder, Manager-Secretary, Hoelzle & Chelius KG, Hugenottenalle 150, D-6078 Neu Isenburg, West Germany; Telephone: 06102-38033; Telex: 4185602.

Manufacturer of industrial ovens seeks to expand its product line. Seeks licenses to produce **heat pumps, thermo processing aggregates, heat exchangers and similar.** Firm employs 50, has sales of around $2.3 million. Founded 1856. Mr. Moehl, Firma Moehl & Co. KG, Moehlstr. 24, 5000 Koeln 80; Telephone: 221-682166; Telex: 08873414.

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Diesel injection equipment. Firm seeks joint venture partner to manufacture diesel injection equipment and hydraulic elements in the U.S., ideally an American firm presently manufacturing hydraulic valves and controls. Robert Natter, Dipl.-Kaufmann, Otto Natter Praezisionsmechanik GmbH & Co., Salzwiesenstrasse 7, D-700 Stuttgart 40, Tel. 0011-49-711-822011, Telex 721 934.

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Seeks to exchange technology and licenses for the production and distribution in Germany and the U.S. of **special protective gloves made of synthetic rubber.** Established 1948, employs 100 and reported 1978 sales of $5 million. Is a subsidiary of Weinheimer Gummiwerke GmbH, making rubber safety products of various types. Specializes in protective gloves, producing automatically shaped gloves that are ABC proof, gas tight, and resistant against solvents, acids, bacteria, tear and impact. They are made by the dripping process with welts or rolled bead. Contact invited by U.S. manufacturers only. Guenther Versemann, Commercial Manager, Rex Gummiwarenfabrik, Ostendstrasse 5, D-6102 Pfungstadt, West Germany. Telephone: 06157-2057.

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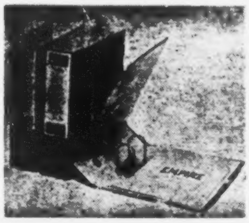

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German-born American, thoroughly familiar with Western Europe, Asia, excellent social science and international affairs background (Ph.D.), experienced government liaison, adviser in market research, writer, adaptible, multilingual, seeks executive position in communications, public relations, marketing. Willing to relocate. German American Trade News, Box 323, 666 Fifth Avenue, New York, NY 10019.

German, (30), Representative of German firm in the U.S., experienced in Im/Export, sales and purchase seeks new challenge. Representing American firm in Germany or partnership considered as well. Contact: German American Trade News, Box 322, 666 Fifth Avenue, New York, NY 10019.

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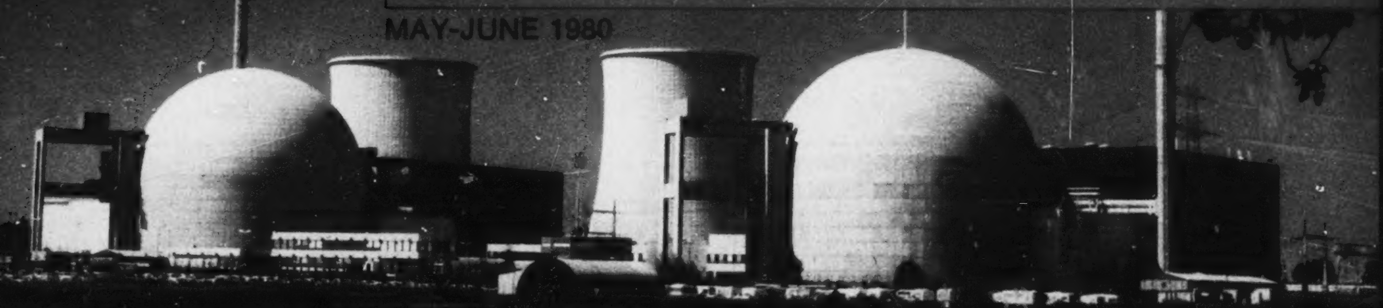
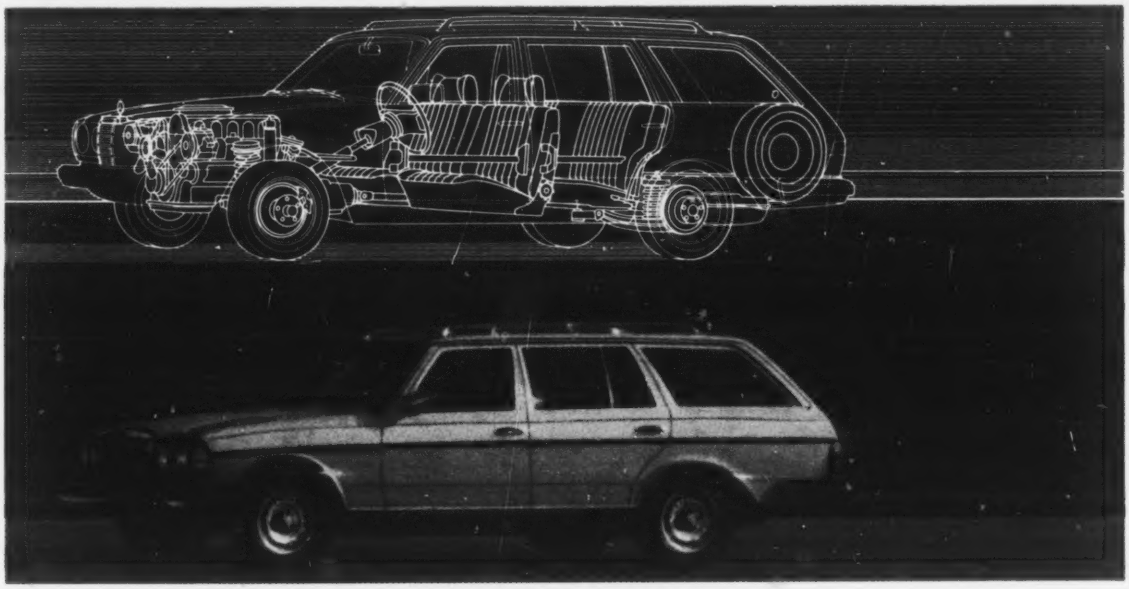
German-American Trade News

MAY-JUNE 1980



Germany's Energy Equation



Mercedes-Benz didn't invent the station wagon-they just raised it up to Mercedes-Benz standards.

Mercedes-Benz waited 94 years to build a station wagon—and then built one like none before . . . "it is not only the best wagon we've tested," says* Car and Driver, *"it ranks right up there as one of the all-time best cars in our experience."

For instance, heavy loads cause the rear suspension to automatically adjust itself and keep the vehicle riding level. Part of the interior converts into a cargo hold almost 10 feet long. And one critic quips, "The only way to shake something loose would be to drive it off a cliff."

Grins of disbelief

With 50.8 percent of its weight over the front axle and 49.2 percent over the rear, the 300 TD is almost perfectly balanced. It flattens curves with a fully independent suspension similar to the exotic 450 SL Roadster.

Euphoria results. "The TD begins to amaze, to bring on grins of disbelief, to entertain, when it's up to speed and moving on down the road," *Car and Driver* reports.

And when it stops? *Car and Driver* found that it stopped "in a phenomenally short distance"—bested only by a 160-mph, $36,000 European sports coupe.

A workhorse that sprints

If any automobile engine is indestructible it is the workhorse Diesel. The 300 TD's Diesel engine is a responsive, 5-cylinder powerplant—beneficiary of a 44-year Mercedes-Benz Diesel Research & Development program.

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A wagon, Mercedes-Benz style

From the driver's seat, the 300 TD gives no inkling that it is anything but a Mercedes-Benz automobile. Civilization reigns, from a comprehensive bi-level climate control system to electric window lifts to AM/FM stereo radio.

Face rearward and the 300 TD is a wagon—a remarkable wagon. "It is simply one of our finest cars when it comes to the all-important accommodation and transportation of its load," *Car and Driver* declares.

Why Mercedes-Benz owners are smiling

To duplicate this engineering and workmanship would require that you have a station wagon custom built. This may help put the 300 TD's $28,056** price in perspective.

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The 300 TD. It may haul cargo like a station wagon. Clearly, it does everything else like a Mercedes-Benz.

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---

*California estimates vary.

**Suggested East Coast retail price. Taxes, license, destination charges, dealer preparation and optional equipment additional.

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Chamber Commentary

An energy fable

Can anyone still harbor illusions that energy will not be the dominant issue of this decade? The remaining few are an endangered species. Are there any problem areas in the world at large that will not bear at least the trace of an oil slick? Not many. The widespread notion in the mid-Seventies that the energy crisis was merely a vexatious and temporary visitation survives only in the kingdom of fantasy. *Mirabile dictu*, the energy conundrum has gained acceptance as a long-range challenge whose solution will require a large dose of realism, tenacity, and capital.

Sad to say, the oil-hungry industrial West resembles nothing less than a jaded epicure. Informed that his beloved caviar is now priced beyond his means, he searches vainly for other roe of equal refinement. Finding none, he contemplates with mounting horror the limited buffet of nourishment available. He reduces his consumption of caviar to fit his budget while analyzing his choices.

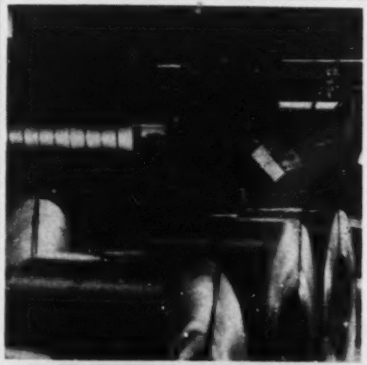
Asparagus, perhaps? Truly an exquisite root, but unfortunately seasonal. Oatmeal, you say? Nourishing and plentiful, but too coarse for a refined palate. How about beans? Palatable, to be sure, but they can lead to indigestion. Stymied by the limitations of each conceivable option, our epicure finally retreats to the tranquil oasis of his declining reservoir of caviar. With each dollop of the noble eggs, his head swims with visions of artificial insemination or, better yet, an undiscovered bounty of sturgeon in some obscure tributary of the Amazon. . .

As we continue to explore the ever present consequences of the energy dilemma, the fallout grows wider. The American automobile industry stands on the threshold of its worst year in almost two decades, worldwide unemployment continues to grow, and the Third World pays the ultimate tax in impoverishment. Even the international banking system—the main channel for recycling OPEC surpluses—sees its stability threatened. David Rockefeller recently estimated that with global bank loans having swollen to more than three times the level of 1973, international lending is nearing its limit.

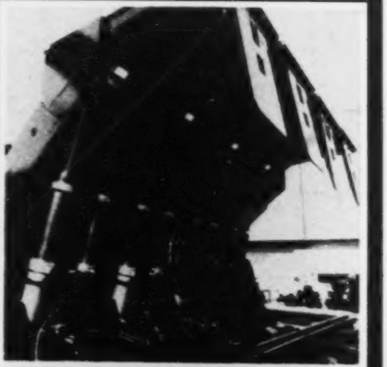
Meanwhile, Americans scorn public transportation in favor of their cars, Europeans view the freedom to drive at unconscionable speeds as the ultimate privilege of a democratic state, and environmentalists would have us return to a pure state of nature.

All of which is to recall a medieval philosophical fable meant to illustrate the doctrine of free will. Buridan's ass, placed equidistant between two bundles of hay, is unable to choose among them and thus dies of hunger. Question: shall we compare ourselves with a jaded epicure or a dumb ass, or both?

THYSSEN



Our Activities



1

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Thyssen Steel/West Coast
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2

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3

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Annual Membership Meeting of the German American Chamber of Commerce

At the German American Chamber of Commerce's annual membership meeting on March 27, 1980, the following were elected to serve as directors and officers of the Chamber:

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March 1980

Trade Fairs

1980 International Garden Trade Fair

The gross floor space available for the 8th International Garden Trade Fair in Cologne (September 28 to 30, 1980) has been extended from 344,320 sq. ft. (32,000 sq. meters) to 462,680 sq. ft. (43,000 sq. meters). In view of the greater interest shown by German and foreign exhibitors (about 600 from 20 countries are expected) the ground floor of hall 14 is now available in addition to hall 13 (ground and first floors). Products shown at the fair include lawn mowers, garden implements and garden tools, forks, hoes, shovels, shears, spades, rakes, lawn sprinklers and accessories, fertilizers, seeds, flower bulbs, container plants, weed-killers and pesticides, planters, compost silos, fencing materials, drying frames, garden ceramics and other articles.

The concurrent SPOGA-International Trade of Sports Goods, Camping Equipment and Garden Furniture—opens a day earlier, on September 27, 1980.

By decision of the Advisory Council the *1981* International Garden Trade Fair in Cologne is to be held earlier—from Sunday, the 12th to Tuesday, the 15th of September. The new timing meets the wishes of most exhibitors for an ordering time that is better suited to this sector and is more appropriate for advance ordering.

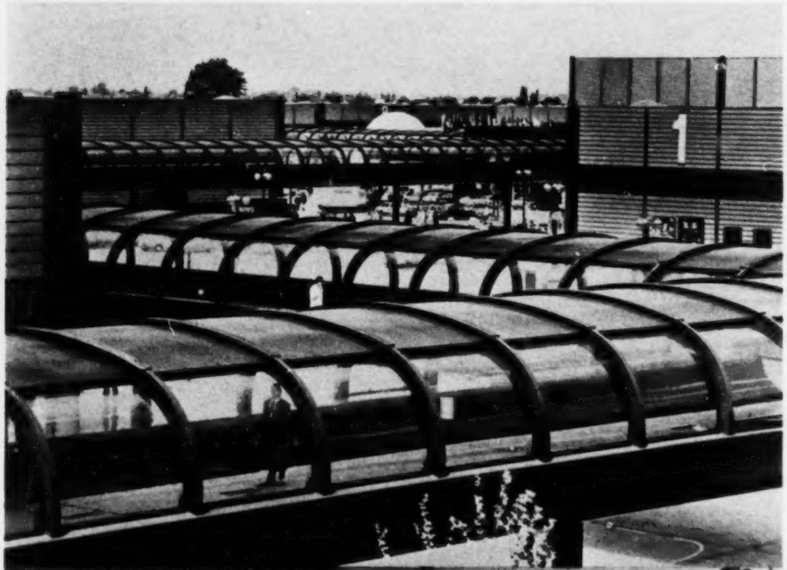
This year the Garden Trade Fair will be held on a floor space that has been increased by 34% to 462,680 sq. ft. (43,000 sq. meters). This will allow regular exhibitors' wishes for larger stands to be met and permit new firms to be accepted as exhibitors. The Cologne Trade Fair Company believes that the total number of exhibitors will rise to more than 500.

IFMA '80 in Cologne spotlights coming developments

The International Bicycle and Motor Cycle Exhibition (IFM) in Cologne from September 20 to 23, 1980 (the general public are not admitted on September 19 which is reserved specially for dealers) promises to be the "event of the year" for the entire cycle world, with record participation probably running to more than 900 firms on a gross floor space of 712,310 sq. ft. (66,200 sq. meters).

There is no doubt that the Eighties are focusing even more public interest on the cycle than was previously the case. Cycles, whether with pedals or motorized, are "in" again. In the last ten years their popularity has grown by leaps and bounds, and is still increasing. In addition to their suitability as vehicles for leisure and healthy exercise, there is an aspect that is again of great importance: in the case of bicycles it is their complete independence of other sources of energy; with motorcycles it is their lower fuel consumption as compared with four-wheeled vehicles, advantages that are steadily growing in view of the increasing cost and possible shortage of fuels.

IFMA '80 gives the starter's signal



for entering the Eighties, a decade which will open up new opportunities for the cycle. Surprises can also be expected in the bicycle sector. Lightweight constructions are making rapid advances and bicycles made largely from plastics are starting to compete with the traditional "iron steed".

12th West German Fine Arts and Antiques Fair

The 12th West German Fine Arts and Antiques Fair is to be held again in Cologne in 1981. The fair is to run from Saturday the 21st to Sunday the 29th of March and the Rhineside halls will be the site as in 1979. The objects on display will include works of the fine arts and antiques, from antiquity to modern times.

The 10th West German Fine Arts and Antiques Fair held in Cologne in 1979 was attended by 48,394 art lovers. Museum experts from Germany and other countries as well as private collectors numbered among the purchasers of valuable objects covering nearly all styles and epochs. The controlling function exercised by a jury proved to be a valuable selling aid for the 166 exhibitors from the Federal Republic of Germany.

Office furniture and products

Orgatechnik '80, the international office furniture and products show, held biennally in Cologne, will have a United States Pavilion for the first time. With the value of the dollar declining against other currencies, office furniture and products made in the United States are now competitively priced on the world market. As a result, leading United States and Canadian manufacturers will be presenting their merchandise to the expected 80,000 visitors to Orgatechnik '80.

The products to be shown in the United States Pavilion range from desks and chairs to shredders and typewriter silencers. Among the many manufacturers exhibiting in the Pavilion are Helikon, CI, Edward Axel Roffman and Associates, Cummins Allison, Chair Tex, and Precision Manufacturing.

For more information about Orgatechnik '80, contact Hans Teetz or Judson Spencer at the German/American Chamber of Commerce, 666 Fifth Avenue, New York, N.Y. telephone (212) 974-8836. ■

Stephan: View of Marienplatz in Munich (original at City-Museum)

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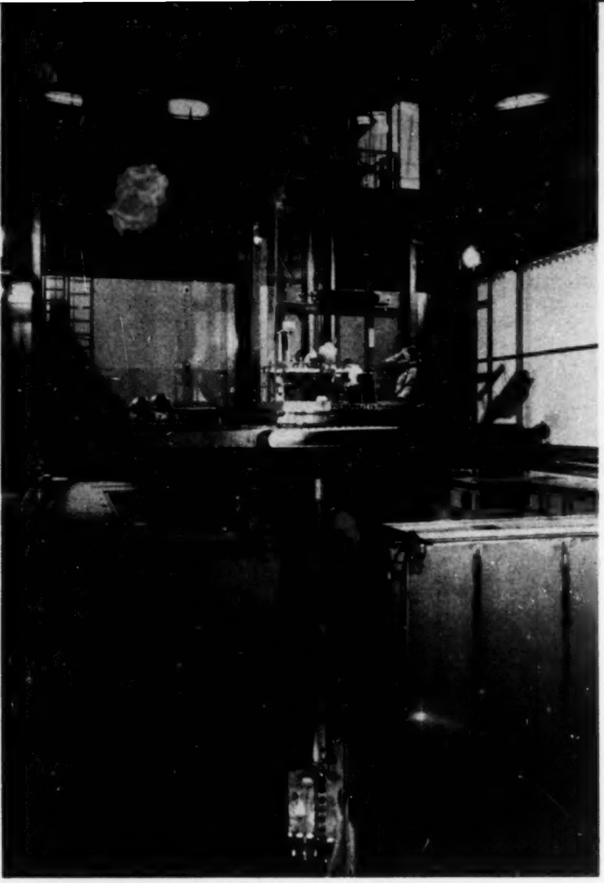
INVEST IN PRECIOUS METAL.

Germany's Energy Equation



Interior of Biblis nuclear power station equipped with pressurized water reactor. The two units have a combined capacity of 2,500 megawatts.

First the bad news, then the good. West Germany's primary energy consumption last year grew by nearly 6 percent, with oil usage up by 3.3 percent. A brighter hue on the nation's energy horizon comes in the form of a recent report from the German Oil Industry Association to the effect that the nation's consumption of oil and petroleum products in the first quarter of 1980 declined by 7.7 percent.

These statistics sum up the paradox of Germany's energy equation: economic growth is virtually synonymous with increased demand for energy. In a nation as poor in domestic energy resources as Germany, this is tantamount to growing dependence on imported oil. Barring unforeseen and improbable technological breakthroughs, Germany will have to wrestle with this painful energy syllogism for years to come.

Clearly, oil will remain the country's most important source of energy over the long run, and the problem of securing crude in requisite quantities will continue to be the major task of its energy policy. Apart from coal, the nation's deposits of other fuels are quite modest, totally insufficient by themselves to support the nation's industrial infrastructure or economic growth. By combining adherence to free market principles in distribution and price as well as stricter conservation, West Germany has been able to assure itself of sufficient supplies up to now. However, rising prices are beginning to hurt and political instability in the Middle East threatens availability of oil to every major importer.

Coal looms larger

If Germany is to make any progress in reducing its consumption of imported oil, it will have to rejuvenate its long dormant coal industry. The Federal Republic's major hard coal deposits are located in the Ruhr region and the Saarland. Economically extractable reserves are estimated at 25 billion tons of hard and some 18 billion tons of brown coal. While lignite (brown coal) producers have experienced relatively stable demand, hard coal mining has been in decline for over two decades, due largely to falling steel production and shrinking demand from utilities: the combined hard/soft coal share of energy consumption fell from 37.8 percent in 1970 to 27.7 percent in 1979.

But, as the 1973 oil crisis proved so dramatically, coal represents immense potential as the sole source of energy in which the Federal Republic is nearly self-sufficient. 88 percent of the hard coal consumed and 96 percent of the soft coal processed are mined at home. Still, their share of total energy consumption in 1979 was well under one-third. By contrast, some 95 percent of petroleum, which covers more than half of the country's energy requirements, must be imported.

Last year may have witnessed the end of the malaise in the German coal industry, as coal production increased for the first time in 22 years. Though the gain—up 2.2 million tons to 85.6 million—was small, it has encouraged those who see Germany's indigenous coal fields as the nation's most immediate hope for relieving its heavy reliance on expensive and unreliable petroleum imports. Chancellor Schmidt has urged industry to meet the energy challenge by the expansion of coal-fired electric generating capacity and the construction of coal-gasification and coal-liquefaction plants. The invocation of a new "Golden Age" for coal may be premature, but renewed vigor after two decades of decline is clearly on the threshold.

Primary energy consumption

	1979*)			1973	
	Million tons coal equivalent	Percentage change on previous year	Share in %	Million tons coal equivalent	Share in %
Petroleum	210.0	+ 3.3	51.0	208.9	55.2
Hard coal	75.7	+ 9.4	18.4	84.2	22.3
Natural gas	66.0	+10.3	16.0	38.6	10.2
Lignite	38.2	+ 6.5	9.3	33.1	8.7
Nuclear energy	13.9	+18.0	3.3	3.9	1.0
Hydro-electric power**)	5.8	−11.9	1.4	8.2	2.2
Others	2.4	± 0.0	0.6	1.6	0.4
Total	**412.0**	**+ 5.9**	**100.0**	**378.5**	**100.0**

*) Provisional; **) including electricity exported and imported.
Source: Arbeitsgemeinschaft Energiebilanzen.

Oil out of favor

With only negligible reserves within its borders, Germany is likely to remain heavily dependent on imported oil for some time to come. In recent years, petroleum has accounted for almost 53 percent of Germany's energy production, with approximately 95 percent of the total coming from abroad. West Germany's own oil deposits, estimated at 68 million tons, are located in the North German Plain, the Upper Rhenish Lowland, and the Alpine foothills. In order to stretch these reserves out as long as possible, production is kept at a low level. Earlier hopes of discovering oil in the German sector of the North Sea have so far met with failure.

According to a report recently issued by Deutsche Shell AG, West Germany's consumption of oil last year grew to about 133 million tons, the highest level since the oil crisis year of 1973. The report attributed the increase mainly to higher demand from the petrochemical industry and to bitter winter weather in the first quarter of 1979. Conservation efforts, both voluntary and price-induced, were reflected in the slight rise of 1.3 percent in gasoline consumption against the 5.0 percent leap in newly registered automobiles; use of light heating oil remained flat. On the other hand, some analysts see petroleum demand receding this year, largely as a result of slower economic growth and the delayed impact of conservation and fuel-substitution policies.

The outlook for the domestic production of another important energy source, natural gas, is more promising. In the wake of discoveries in the northwestern Emsland region bordering on the Netherlands and in the North Sea, natural gas resources are estimated at 300,000 to 500,000 million cubic meters. Consumption of natural gas as a total share of energy has grown vigorously, leaping from 10.2 percent in 1973 to 16 last year; in 1979, natural gas usage grew by 10 percent over the previous year. Major foreign suppliers are the Netherlands and the Soviet Union.

Turning to synfuels

Germany pioneered in developing synthetic fuels over 40 years ago, so it is hardly surprising that German industry and government have allocated large budgets to developing synthetic fuels on an economic basis. Among the world leaders in upgrading, converting and processing coal is Lurgi, a member of the Metallgesellschaft Group. Lurgi is upgrading low-grade steam and soft coal to be used as coking coal in steel furnaces or as a substitute for natural gas in the direct reduction of iron ore. Alternatively, coal is gasified first, to be used as a steel reduction gas, or converted into methanol to be used in combination with gasoline in cars. Lurgi and Krupp have designed plants for the conversion of coal into gasoline, diesel oil and petrochemical feedstock.

Bonn is pressing ahead with plans for two coal-gasification plants and two coal liquefaction plants, though it concedes that neither conversion system is currently economical and that additional fiscal incentives may be required to "provide the necessary impulse" for a major synfuels program.

According to a paper published on the topic last fall, synthesis gas produced from lignite is, for the chemical industry, "on the threshhold of economic viability." However, this holds true only when the lignite is gasified near the mining site, since transportation would be uneconomical.

The paper noted that subsidies made available last fall for coal conversion might not be sufficient to get the program off the ground. Other measures proposed for consideration were a special levy on gas tariffs, a waving of taxes on synthetic fuels, investment subsidies for construction of plants, a minimum price guarantee, and subsidies to cover the differential between manufacturing costs and the

Activists protest against planned atomic waste dumps in Gorleben.

Heute GorLEBEN
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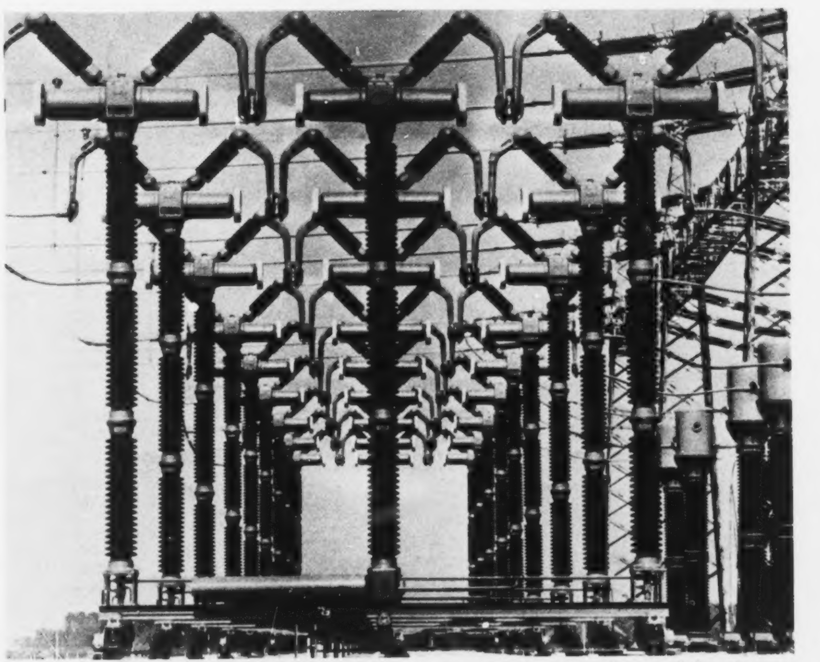
prices of conventional oil products. Current plans envisage 14 demonstration plants by 1992, most of them incorporating either the Lurgi or the Krupp Koppers-Totzek techniques.



Electrical installations for the energy provided by the nuclear power plant in Philippsburg.

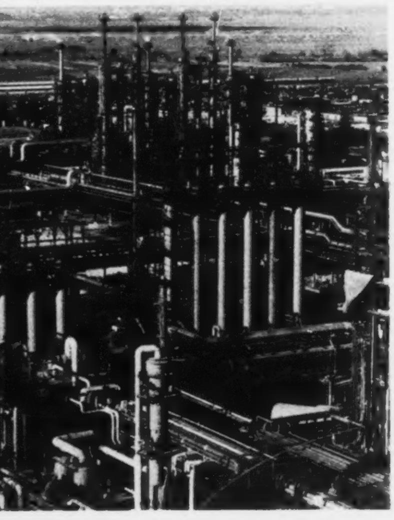
Nuclear role diminishes

The long-standing row in West Germany over nuclear energy has been put into perspective by the crises in Iran and Afghanistan. Security and the threat to energy supplies, for the moment at least, would seem more crucial than protection of the environment. At the heart of Germany's energy program for the rest of the century and some decades beyond is nuclear power. However, the expansion of atom-generated electricity, which was to have been speeded up after the 1973-1974 oil crisis, has come to a virtual standstill as the result of a national debate over safety and even the need for nuclear power.

In 1974, it had been hoped that by the mid-Eighties nuclear power would provide about 35 percent of generated electricity and meet 15 percent of total energy requirements. By end-1979, though, the atomic share of overall energy consumption came to only 3.3 percent versus 3.0 percent in 1978 and 1.0 percent in 1973. Since no nuclear power station has been sanctioned for five years, with six to eight years required from construction to final commissioning, the original targets now seem utterly unrealistic.

At present, West Germany has 14 nuclear power stations in operation, with a total capacity of about 9,000 mw. Nine others, to produce nearly 10,000 mw, are being built, and two more are being held up by the courts. The federal and state governments have just agreed that no licenses for new plants will be issued until after 1985 unless there are firm plans for reprocessing facilities. Clearly, much will have to be done, and quickly, if the country is to meet its target of 50,000 mw of nuclear power by the end of the century.

Germany's vast petrochemical industry is a major consumer of imported crude oil.



The most directly hard-hit by the five-year halt in nuclear power station approvals have been the constructors, such as Kraftwerk Union (KWU) and Brown Boveri. KWU, a wholly owned subsidiary of Siemens, has some six nuclear power station contracts with a combined value of DM 7.1 billion. Thus, 29 percent of its total nuclear and non-nuclear power station orders have been paralyzed. Says Klaus Barthelt, chief executive officer of KWU: "There is a danger of our technology becoming out of date if we cannot put it into practice on our home ground." That threat applies not only to the main constructors, but also to about 700 suppliers of equipment, about three-quarters of them small or medium-sized companies.

Dr. Hans Goehringer, chief executive officer of Brown Boveri, views the problem from yet another perspective. He puts Germany's reserve generating capacity at around 10 to 12 percent of the total. This, he says, could be used up by the mid-1980's even if demand rose at a below average annual rate of 3.5 to 4 percent, which in turn assumes an even lower rate of economic growth.

Like the U.S. after the Three Mile Island incident, Germany will have to make some hard decisions on nuclear power. No one is predicting that the lights will go out in this decade if no more power stations are built, but the stake in the future cost and even security of the nation's energy supply will be enormous. And, of course, by that time it may be too late to make up for lost time. ■

Money's Worth

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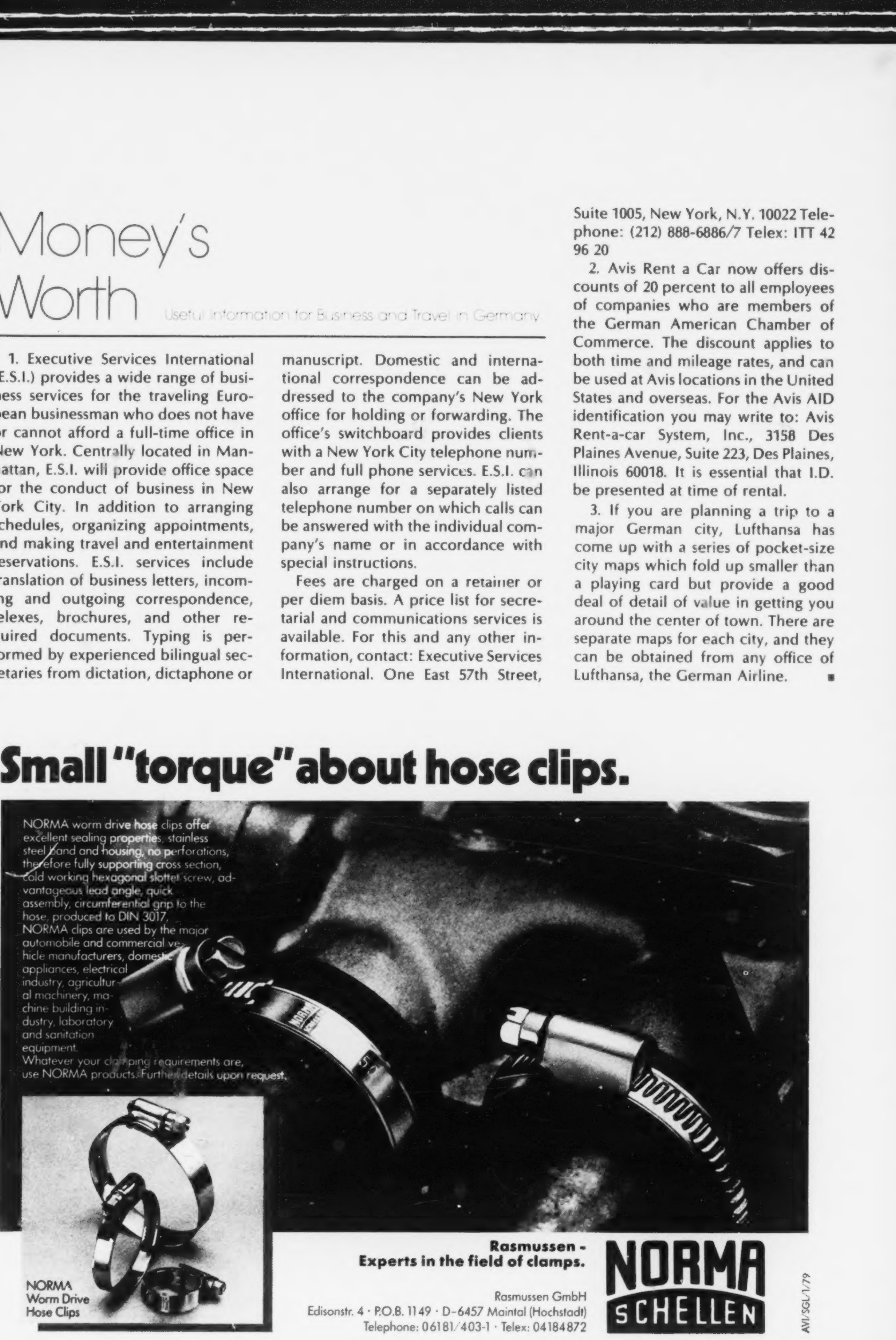
3. If you are planning a trip to a major German city, Lufthansa has come up with a series of pocket-size city maps which fold up smaller than a playing card but provide a good deal of detail of value in getting you around the center of town. There are separate maps for each city, and they can be obtained from any office of Lufthansa, the German Airline. ■

Small "torque" about hose clips.



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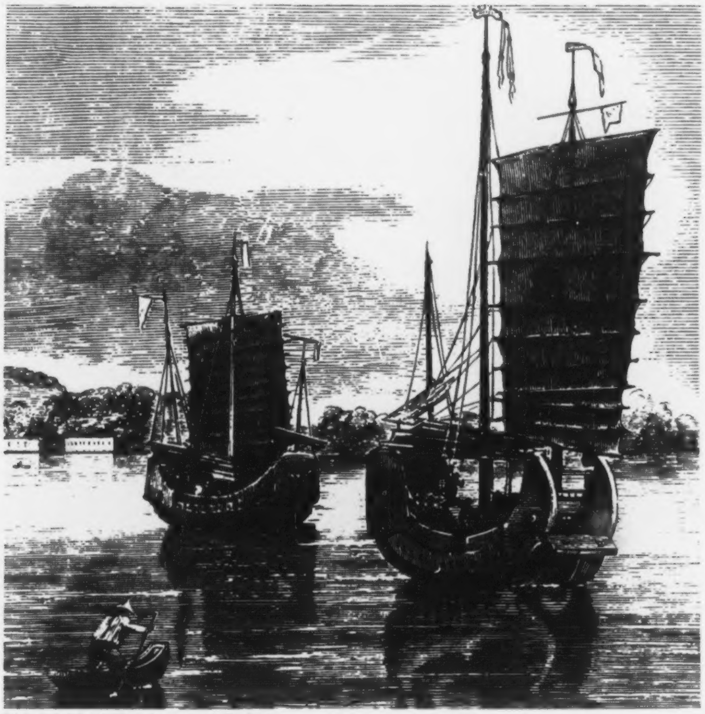
The development of international trade owes much to the foresight of merchant bankers.



Original sketch of 19th century scene in Far East.

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Coal on a Hard Comeback Trail

Top: Modern coal extraction at the "Hugo" mine in Gelsenkirchen. Bottom: Change of shifts in the coalfields.

Last year was an exceptional year for the German coal mining industry, at least in a relative sense. For the first time in 22 years production was up from the level of the year before by all of 2.2 million tons, bringing the total to 85.6 million. Though the gain was small, after nearly a quarter of a century of declining production it was no little cause for celebration.

Following the oil crisis of 1973, strategies were proposed in the industrial West for reducing dependence on oil; realization of this goal has hardly been noticeable. In West Germany, the share of oil in the consumption of primary energy has remained almost unchanged. Since last year, following the Shah's overthrow in the spring and rising political unrest in the Middle East, even the availability of oil in sufficient quantities in the future must be called into question. The price and supply equation is further unbalanced by the sharp slowdown in the construction of nuclear power plants in both the United States and West Germany.

No wonder, then, that the German coal industry sees coal as making a comeback in this decade. First, though, let's put the overall problem into perspective. Economic growth in the Federal Republic is likely to av-

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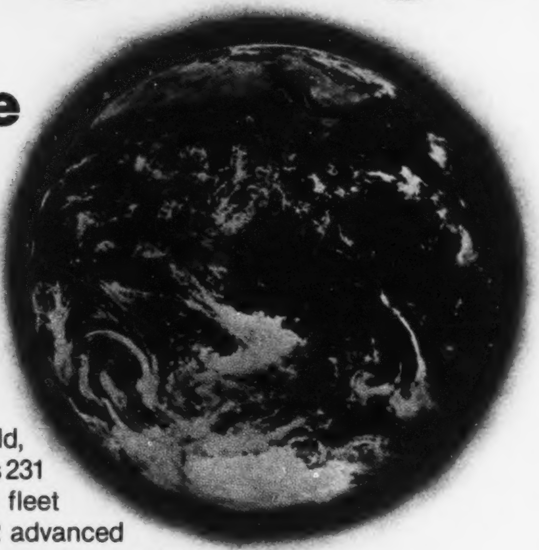

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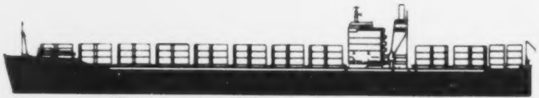


regular·reliable·on time

erage between 3 and 3.5 percent during the 1980's. Generally accepted projections place reduced growth of primary energy consumption during this period at something over 2 percent per year.

In practical terms, this could mean that coal will displace oil, or a share of it, in the production of electric power. With the help of German coal technology whose genesis dates back over 40 years, multi-billion mark conversion plants would process coal into gasoline, lubricating oil, substitute natural gas, and a whole range of raw materials for the chemical industry. Various estimates place West Germany's coal resources at a level sufficient to provide the nation energy for 200 to 300 years. Theoretically, this may add up to greater independence from OPEC, but the coal will be expensive to mine and, at the current state of the art, costly to convert.

To judge from recent statements by Germany's political leadership, the "golden age" of coal will have the support of Bonn, even at the risk of challenging the aggressive German environmental movement. Chancellor Schmidt recently summed up his feeling on the subject: "In the energy concept coal must have absolute priority."

As in many other areas of energy policy and practices, a paradox prevails. Since the OPEC pricing revolution in 1973, no authorization has been granted to build oil-fueled power plants. In the meantime coal-fired generating capacity has actually declined as old inefficient plants have been dismantled to make room for more efficient ones. Last year's increase in coal production was in response to higher demand from a recovering steel industry (up from 33.1 million tons in 1978 to 40.3 million in 1979, which includes both domestic production and imports) and from the electric power industry, which raised demand from 32.2 to 33.8 million tons.

Though estimates seem to lean toward the optimistic side, some experts believe that coal production must be increased some 8 million tons by 1985 and over 11 million tons by 1990. Even higher projected gains for 1990 presume the existence of a large coal conversion industry by that time.

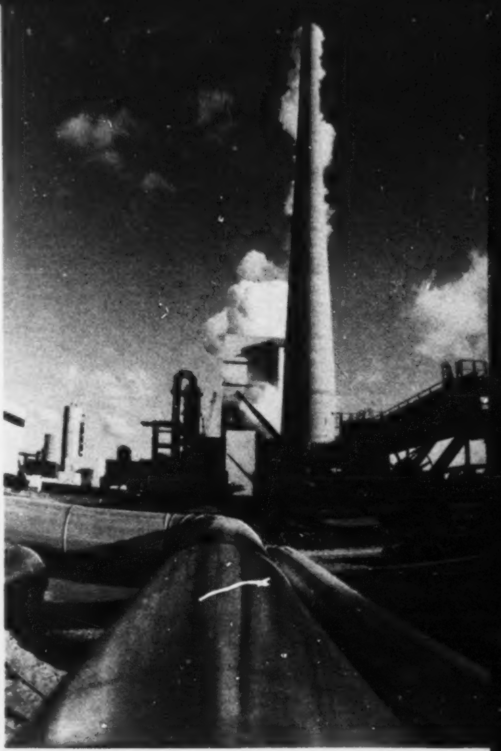
In early February, Bonn announced approval and assurances of financial support for the construction of 14 demonstration conversion plants, all of which have been in the planning stage for a number of years. 11 of these will produce either synthetic or substitute natural gas; 3 will produce liquid products—motor fuel, benzol, heating oil, or feedstock for the chemical industry. Neither government nor industry harbor illusions that these plants will exert any direct impact on Germany's dependence on imported oil. Their purpose will be to demonstrate the relative cost-effectiveness of various processes. Only if positive results are achieved will commercial-scale projects be built.

The total cost of the pilot program will come to approximately DM 13 billion, at current prices. All but one of the gasification plants are expected to become operational between 1984 and 1986, with the last one scheduled for completion near the end of the decade. Two of the liquefaction plants will probably start up in 1987 and the third one in 1992.

Of the liquefaction plants, one will produce 400,000 tons of motor fuel and chemical feedstock from 3.5 million tons of lignite a year. A second, using 6 million tons of coal, will deliver 2 million tons of various liquid products. The third plant, consuming 2 million tons of coal, will produce 800,000 tons of liquid hydrocarbons.

The gasification plants will use coal or lignite on a far more modest scale. Altogether, when operating at capacity, these plants will consume 14 million tons of coal a year and over 10 million tons of lignite. This will present no problem for the lignite industry. But coal miners, facing projected increases in demand from the steel and electric power industries, may be hard pressed. An early increase in the supply of coal is not in the offing. The cost of developing a new mine in Germany currently amounts to approximately DM 2.5 billion, and the time from development to production averages ten years.

From an economic point of view, more oil could be saved, and at a lower cost, by accelerating the nuclear production program. Germany now consumes around 133 million tons of oil per year. According to energy planners, a minimum of 10 conversion plants at a total cost of DM 35 billion will be necessary to make an appreciable dent in that volume.



A coal-fired power plant at Wilhelmshaven.

The arithmetic of nuclear energy is clearly more attractive. 23 atomic power plants of 1,300 megawatt capacity each would effect a saving of 37 million tons of oil a year, compared with a maximum saving of 20 million tons to be derived from the coal conversion plants.

To be sure, the heightened drama of the nation's energy squeeze will undoubtedly accelerate coal production. The West German coal mining industry does, however, confront formidable problems. The pit coal is of high quality but the deep deposits are difficult to get at. Most experts believe that the labor shortage and the enormous investment costs involved will require recourse to imported coal at least for an initial period. This, in turn, will presuppose an attractive world market price, a hike in coal output abroad, and expansion of requisite transportation facilities. It seems unlikely that the import route will be able to bridge the gap between medium-term domestic capacity and requirements unless overseas producers receive firm indications of the volume they can expect to export to Germany.

As in the United States, coal in Germany is plentiful and offers a convenient placebo to the nightmare of heavy reliance on imported oil. In neither case, though, is the black genie likely to come to our rescue soon. ▪

German-American Economic Review in Figures

	Federal Republic of Germany					United States				
	1978	1979	1979–1980			1978	1979	1979–1980		
			Dec.	Jan.	Feb.			Dec.	Jan.	Feb.
FOREIGN TRADE (in mil.$)										
Imports	121,757	159,708	14,838	16,030	16,674	173,272	207,198	19,870	20,945	21,640
Exports	142,456	171,882	15,291	16,228	16,937	143,460	181,829	16,792	17,348	17,233
Balance on merchandise trade	20,699	12,175	453	198	263	−29,812	−25,369	−3,078	−3,597	−4,407
U.S.-GERMAN TRADE (in mil.$)										
U.S. imports from Germany	10,087	11,332	1,026	1,076	1,067	9,961	10,955	1,071	1,006	1,009
(+)(−) % from previous year	27.6	12.3	16.3	32.8	34.7	38.1	10.0	19.5	13.7	44.8
U.S. exports to Germany	8,725	11,080	1,022	1,323	1,270	6,815	8,272	820	962	963
(+)(−) % from previous year	18.9	27.0	3.7	66.1	40.0	17.0	21.4	22.0	53.6	58.9
Balance on U.S.-German trade	1,362	252	− 4	−247	−203	−3,146	−2,683	−251	−44	−46
INDUSTRIAL PRODUCTION										
(+)(−) % from previous year	2.6	5.6	7.3	7.2	5.3	5.8	4.2	0.3	0.8	0.7
Iron and steel	5.8	9.0	9.3	−3.2	1.1	9.5	—	−14.9	−5.0	—
Machines, exc. elec.	0.2	4.8	9.9	−5.3	−0.8	7.5	—	3.0	2.9	1.3
Electrical machinery and equipment	1.1	1.3	5.9	−5.3	−0.8	8.7	—	8.1	6.9	5.1
Chemicals	5.2	6.7	2.9	−3.4	2.4	5.5	—	4.2	5.0	3.9
Road motor vehicles	2.3	7.5	3.3	−5.3	−0.8	5.4	—	−26.1	−28.2	−19.7
Textiles	−1.1	3.8	6.4	−5.3	−0.9	2.1	—	3.8	4.7	—
Apparel	−3.2	−0.1	−1.4	−5.2	−0.9	1.7	—	−6.0	—	—
LABOR MARKET										
Population (in mil.)	61.3	61.4	—	—	—	218.7	220.6	221.5	—	—
Civilian labor force (in 1000)	25,230	25,650	—	—	—	97,401	100,420	103,999	104,229	104,260
Unemployed (in 1000)	993	876	867	1,037	993	6,855	6,047	6,087	6,425	6,307
Unemployment rate (in %)	4.4	3.8	3.8	4.5	4.3	7.0	6.0	5.9	6.2	6.0
Gross hourly wages in manufacturing (in DM or $)	11.88	12.55	—	—	—	6.17	6.69	6.97	6.95	6.98
(+)(−) % from previous year	5.4	5.6	—	—	—	8.6	8.4	8.4	7.6	7.1
PRICES (+)(−) % from previous year										
Consumer Price Index	2.7	4.1	5.4	5.0	5.6	7.7	11.3	13.3	13.9	14.1
Producer prices for ind. products	1.2	5.0	7.0	7.9	8.0	7.3	—	16.4	18.3	19.3
CURRENCY EXCHANGE RATES (avg.)										
Value of $1.00 in DM	2.0084	1.8330	1.7342	1.7236	1.7472					
Value of DM 1.00 in $						0.4987	0.5456	0.5767	0.5799	0.5720

	1978	1979	1979-1980				1978	1979	1979-1980			
			II	III	IV	I			II	III	IV	I
NATIONAL ACCOUNTS												
Gross National Product at current prices (in bil. DM or $)	1,287	1,395	1,361	1,422	1,530	—	2,128	2,369	2,330	2,396	2,457	2,520
(+)(−) % from previous year, real terms	3.5	4.4	4.6	4.1	4.4	—	4.4	2.3	1.9	1.8	1.0	1.0
Balance on current account (in mil. DM or $)	17,524	– 10,495	−3,105	−8,498	−1,808	—	−13,467	−317	−810	1,139	−923	—
Monetary reserves (in mil. $)	57,818	60,455	54,583	60,209	60,455	54,088	18,650	18,930	21,240	18,540	18,930	21,450
Direct investment, cumulative at period end (in mil. DM or $)												
Direct investment abroad	58,193	66,002	61,562	—	66,002	168,081	—	—	—	—	—	
—German investment in the U.S.	8,591	12,283	10,057	—	12,283	—						
—U.S. investment in Germany							12,746	—	—	—	—	—
Foreign direct investment	53,326	55,242	54,691	—	55,242	—	40,831	—	—	—	—	—
—U.S. investment in Germany	19,923	20,140	20,580	—	20,140	—						
—German investment in the U.S.							3,191	—	—	—	—	—

Sources:	Statistisches Bundesamt	U.S. Department of Commerce
	Deutsche Bundesbank	U.S. Department of Labor
	Bundesministerium fuer Wirtschaft	Federal Reserve System
	International Monetary Fund	

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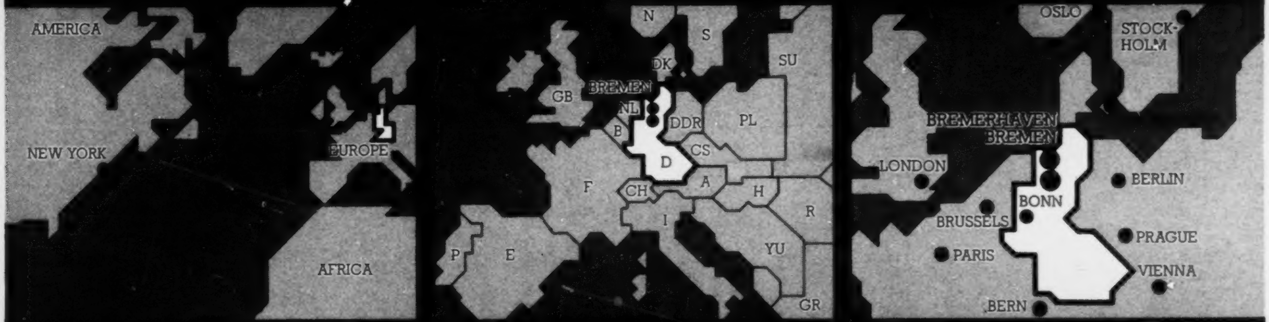
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	Company	Sales – million DM –		Staff – thousands –	
		1978	1977	1978	1977
	Industrial enterprises				
1	Veba	31777	27389	81,9	66,5
2	Siemens	29009	25198	304,0	319,0
3	Volkswagenwerk	26724	24152	206,9	191,9
4	Daimler	24839	24723	173,2	169,2
5	Hoechst	24191	23298	179,5	180,9
6	Thyssen	23459	21021	159,9	142,5
7	BASF	23254	23181	115,4	113,8
8	Bayer	22836	21392	179,0	170,4
9	Klöckner-Gruppe	14427	14132	73,4	73,7
10	AEG-Telefunken	14097	14286	162,6	158,4
11	RWE	12778	11871	58,3	57,9
12	Mannesmann	12670	11714	105,7	105,6
13	Ruhrkohle	12488	10974	136,5	143,3
14	Gutehoffnungshütte	12401	12065	84,4	84,9
15	Esso	12076	12195	4,5	4,7
16	Krupp	11899	11169	84,7	86,6
17	Deutsche Shell	11893	11764	·	·
18	Opel	10642	9167	64,8	59,7
19	Ford	10475	10163	58,2	56,3
20	Bosch	9618	9160	117,8	110,5
21	Deutsche BP	9528	8863	4,2	4,3
22	Quandt-Gruppe	9300	8250	67,1	65,0
23	Metallgesellschaft	8000	7800	·	·
24	Flick-Gruppe	7624	6661	45,9	46,0
25	Deutsche Unilever	7307	7361	34,8	34,9
26	Salzgitter	6724	6419	50,1	52,3
27	Hoesch-Werke	6538	6230	47,4	48,5
28	IBM	6318	6381	26,0	25,1
29	Reemtsma	6264	6182	13,8	14,2
30	Deutsche Texaco	5885	5671	5,3	5,7
31	Henkel-Gruppe	5602	5363	33,3	34,2
32	Ruhrgas	5493	4707	·	·
33	Mobil Oil in Deutschland	5174	5025	2,4	2,4
34	Degussa	5072	4455	·	·
35	Hochtief	4303	3613	31,1	28,5
36	Deutsche Philips	4204	4026	29,5	31,0
37	Enka	4200	3200	·	·
38	Holzmann	4197	3224	27,5	26,3
39	B.A.T.	4012	3877	3,8	3,9
40	Saarberg-Gruppe	3821	3446	29,3	29,1
41	Brown, Boveri	3784	3828	36,0	36,7
42	Ving	3398	3512	22,2	22,5
43	Deutsche Babcock	3357	2981	28,5	25,9
44	VEW	3143	2813	7,0	7,0
45	Grundig	2956	2763	39,0	36,0
46	Dt. Saint-Gobain-Gruppe	2850	2950	·	·
47	SEL	2797	2735	33,2	32,8
48	Brinkmann	2756	2717	4,6	4,6
49	Preussag	2684	2619	17,3	17,6
50	Nestlé-Gruppe Deutschland	2648	2508	13,0	13,0
	Industrial enterprises				
51	Werhahn-Gruppe	2641	2298	·	·
52	Stahlwerke Röchling-Burbach	2556	1750	·	·
53	Oetker	2471	2429	11,8	14,2
54	Boehringer Ingelheim	2382	2265	·	·
55	Südvieh-Südfleisch-Gruppe	2374	2153	·	·
56	Polygram	2370	1920	·	·
57	Deutsche Solvay-Gruppe	2300	2159	·	·
58	Bilfinger + Berger	2246	2307	·	·
59	Schering	2226	2133	18,1	18,1
60	Messerschmitt-Bölkow-Blohm	2117	1801	22,3	20,7
61	Bayernwerk	2085	1822	·	·
62	Siemens-Bosch Hausgeräte	2084	2032	·	·
63	Conti Gummi	2030	1954	·	·
64	Elf Mineralöl	2029	1813	·	·
65	Rütgers	2015	2004	·	·
66	Carl-Zeiss-Stiftung	1945	1812	29,3	28,2
67	Strabag	1945	1809	19,8	18,5
68	ZF-Konzern	1936	1903	20,7	19,8
69	Magirus-Deutz	1927	1858	12,5	12,7
70	Freudenberg	1920	1821	23,0	22,7
71	Linde	1825	1667	·	·
72	Kugelfischer	1824	1796	28,4	28,9
73	Korf-Gruppe	1807	1522	·	·
74	Dyckerhoff & Widmann	1744	1687	15,1	15,4
75	Liebherr-Gruppe	1707	1416	11,1	10,3
76	Dillinger Hütte	1664	1466	5,3	5,5
77	Sachs-Gruppe	1659	1582	17,7	17,6
78	VFW-Fokker	1630	1662	17,7	17,5
79	Eschweiler Bergwerksverein	1626	1290	·	·
80	Merck	1619	1474	·	·
81	Michelin Reifenwerke	1574	1548	·	·
82	HEW	1573	1517	·	·
83	Norddeutsche Raffinerie	1565	1543	·	·
84	PWA	1527	1535	9,8	10.2
85	EVS	1474	1368	·	·
86	Tschibo	1425	1400	·	·
87	Melitta-Werke	1417	1600	·	·
88	Beiersdorf	1414	1327	·	·
89	Benteler	1406	1204	7,8	7,6
90	Deutsche Contigas	1380	1300	·	·
91	Bauknecht	1380	1350	·	·
92	Badenwerk	1355	1243	3,4	3.3
93	Chevron Erdöl Deutschland	1343	1279	0,3	0,3
94	Du Pont de Nemours	1323	1213	·	·
95	Orenstein & Koppel	1314	1130	·	·
96	Philip Morris	1307	1001	·	·
97	Alfred Teves	1286	1218	11,7	11,4
98	Bewag	1269	1187	6,0	6,0
99	Deutsche Marathon	1253	1621	0,7	0,7
100	Leonhard Monheim	1245	922	·	·

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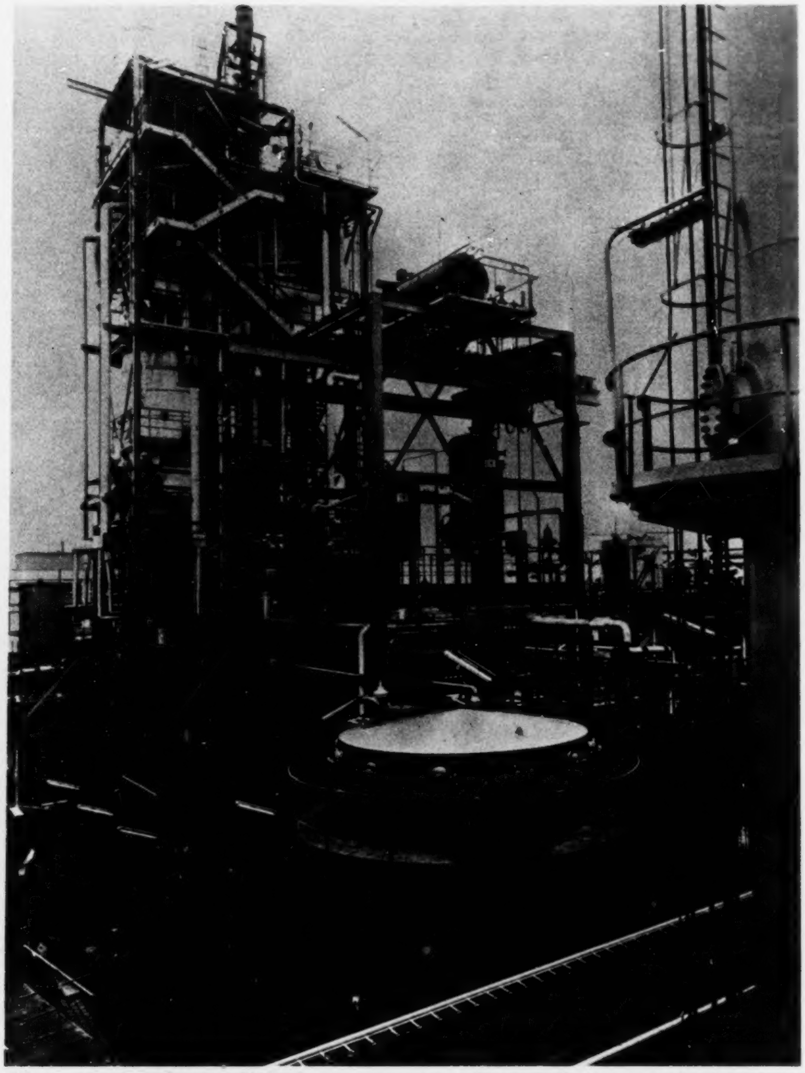
Coal Conversion Technology

by Paul Rudolph



Pilot project in Ruhr city of Oberhausen converts coal into synthetic gas for the chemical industry.

About five decades ago, Lurgi entered the field of coal technology in what was considered a rather unconventional way. In those days, the huge brown coal deposits of Central Germany were largely used for power generation and for the IG Farben hydrogeneration process. Yet, given the ever increasing demand for both town gas and coke, new technologies had to be developed.

In what was truly a pioneer achievement, Lurgi managed to develop two processes that led to a substantial increase in brown coal's potential for industrial utilization. The first major step was the development of the so-called "Spuelgas-Schwelung", or purge gas carbonization, a process which converts brown coal into both coke and tar. Although the classic process has somewhat lost its importance today, it was, in its time, one of the key brown coal upgrading processes, serving for many years as a breeding ground for both carbonization and other fuel technology that still bears Lurgi's name.

The second technological breakthrough was commercial pressure gasification, first of brown coal from Central Germany, and later of coals of any kind. Partly by change, but certainly also by way of a systematic approach, the fathers of the Lurgi Process had managed, some 45 years ago, to develop, devise, and implement the right concept for the gasification of coal: That is, to carry out the reaction under pressure, countercurrently, and using steam and oxygen as gasification agent. Inspired by the founder of modern coal technology, Prof. Drawe, the reactor system was developed by Dr. Hubmann, while basic process design data were contributed by Dr. Danulat.

This exemplary cooperation between designer and process engineer was, and still is, fundamental to the continuous development of these processes, as well as for other processes in fuel technology. Perhaps most important, however, is the wealth of experience gained from the construction and operation in all parts of the world of a total of 16 plants with 68 gasifiers, as well as from gasification tests with over 100 coals of different origin. Presently, an additional 38 gasifiers are being erected, and projects for many large-scale plants are being worked on.

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The purpose of coal upgrading

Coal is a complex raw material. All kinds of plants, under a variety of climatic, geological, and tectonic conditions, went into the making of coal. For classification purposes, the degree of coalification is used. At the lower, i.e. younger, end of the scale, we have peat and brown coal, followed by various kinds of subbituminous and bituminous coals. Anthracite, on the other hand, is at the upper, or older, end of the scale. Thus, the combustible part of a coal may offer a wide variety of properties. Apart from combustible material, coal contains various amounts of undesirable constituents, mainly ash, water, sulfur, chlorine and the like, and consequently represents a rather nonuniform, difficult to handle type of raw material. Thus, it is the purpose of coal upgrading to convert the coal into uniform, well-defined, and easy-to-handle kinds of products.

Carbonization

Carbonization and coking are among the oldest processes for the upgrading of coal. Through the heating of coal, volatile constituents, mainly gas and tar, are driven off and can be recovered as valuable byproducts. The main product, residual coke, is practically free of volatiles and thus used to be in high demand as a smokeless fuel for domestic and small industry purposes. The main outlet for coke, however, is its use in iron ore reduction.

The coking of caking coals is an established technology. By means of the Lurgi "Spuelgas-Schwelung", non-caking coals, such as brown coal, could be used as feed for coke production. Brown coal represents an earthy material, with moisture contents often exceeding 50%. Consequently, predrying and briquetting precede the typical process scheme. Next step is the purge gas carbonization, whereby the coal, in a shaft reactor's upper section and countercurrently, is first dried with hot recycle gas and then, in the reactor's main section, carbonized at temperatures of around 850°C. In the reactor's lower section, the coke is finally cooled. The recirculating scavenging gas originates from carbonization, and part of it is combusted under air deficiency, thus providing the heat needed for carbonization in a simple way.

The excess gas leaving the carbonizer is cooled and in the process tar, oil, naphtha, and phenols are condensated from the gas. Depending on the market situation, either tar or coke is considered the main product. The process was commercialized back in 1925, and over 250 carbonizers have been built since. The capacity of a single unit can be up to 400 t/day.

Beginning in 1948, a new reactor system was developed. It became known as the L-R (for "Lurgi-Ruhrgas") Process, and it now represents the key process for a variety of applications. Specific throughput, incidentally, far exceeds that of the old "Spuelgas" process.

In the L-R Process, a dust-like heat carrier (which can be either coke from within the process, or sand in other applications) is recirculated, and mixed with fresh coal in the degasser. Temperatures rise up to 900°C, and the coal is carbonized. Volatile carbonization products (vz., gas, tar, oil, naphtha) are recovered through cooling/condensation. The tar yield is rather high, well over 100% of Fischer tar. Product char is withdrawn, and recycle char is carried up by means of an air driven lift pipe. This way part of the char is burned, providing the system with the necessary heat.

Initially, the L-R Process was developed to devolatilize coal in order to produce town gas. Thus, coke was considered the by-product; it was used for steam raising, while tar was recovered as by-product. In today's era of coal renaissance, this concept again arouses interest.

Another application that uses L-R at the front-end is the production of form coke. Meanwhile, the system has also been applied to the thermal cracking into olefins of crude oil and naphtha. In this case, sand was used as heat carrier; a total of six plants have been built.

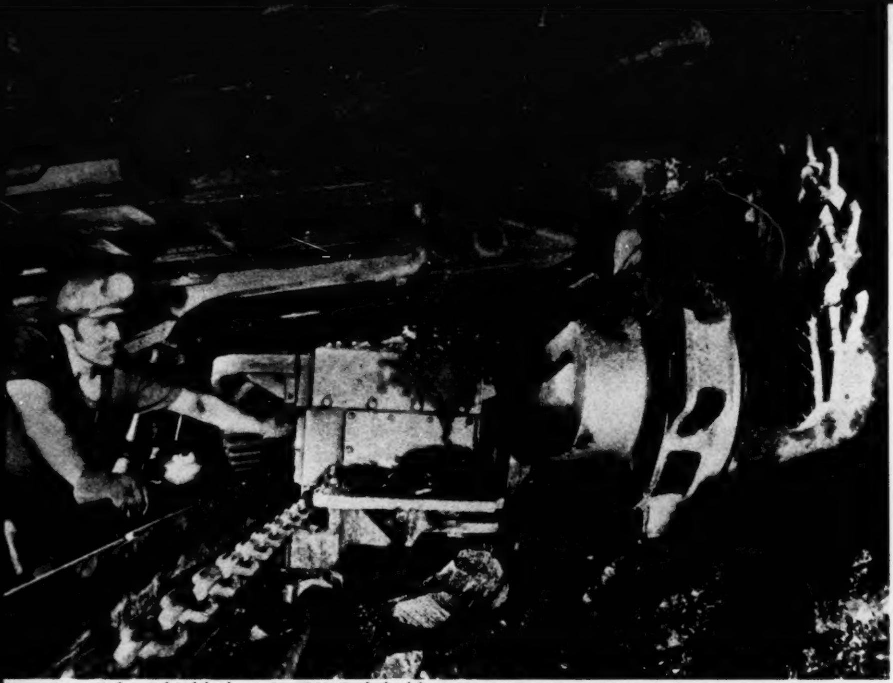
As regards the recovery of oil from shale and tar sand, the L-R Process is considered to have great potential. Both shale and tar sand are available in abundant quantities, and given the predictable shortage of crude oil, these resources will play an important role in securing the supply of energy. The suitability of L-R for the processing of shale has been demonstrated convincingly in a number of tests, using a variety of shales.

Gasification

Carbonization, along with related upgrading processes, is one major sector of coal technology. The other one is gasification. It's through gasification that the solid fuel coal—with all its varying properties—is converted into gas.

Gas, in turn, is not only considered the highest value fuel, it also can serve as starting material for the synthesis of a variety of important base chemicals such as ammonia, methanol, and Fischer-Tropsch products. The Lurgi Pressure Gasification Process—whose development began in the 1930's—plays a leading role in this field. The underlying principles can be explained as follows: Screened coal is fed to the pressure vessel, via a so-called coal lock. In the reactor proper, the coal first gets into what could be called a surge bin, designed to even out the fluctuation originating from the batchwise mode of coal feeding. A rotating coal distributor now takes care of an even distribution across the reactor. While gravitating downward, the coal is first heated, then dried and devolatilized through countercurrent heat exchange with the gases flowing on upward. During the devolatilization (or carbonization), water and a number of products are released from the coal. These include a methane-containing gas, tar, oil, naphtha, phenols, and ammonia. The coal, meanwhile, is essentially char, and once its temperature exceeds some 650°C, gasification reactions are initiated.

As the overall reaction is endothermic, heat must be provided; this is done by combustion with oxygen within the reactor of residual char (about 15% of the coal feed to the reactor). Thus, steam and oxygen act as the primary gasification agents; they are injected, via rotary grate and ash bed, into the combustion zone. CO_2 and H_2O leave the latter, at temperatures of 1300°C +, as what may be called the secondary gasification agent. Part of the necessary heat is supplied by the exothermic methane formation reaction (summarily $C + 2H_2 - CH_4$ + Heat), particularly in the gasification zone's upper section,



Safer "shielded mining" in Ruhrkohle mine in Essen.

where the temperature has dropped off to below 900°C. Formation of methane thus decreases the consumption of oxygen; at the same time, it enhances the conversion of steam into gas.

Due to the countercurrent mode of operation, gasification can be carried to the point where reaction rates become negligible. Depending on the type of coal, i.e., its reactivity, this is in the area of 700-850°C (gas temperature) and 600-750°C (temperature of the solid). The remaining sensible heat of the gas is utilized for carbonizing, drying, and preheating the fresh coal. The product gas leaves the reactor at 350-600°C, depending mainly on the coal's moisture content.

The multi-purpose rotary grate is located in the reactor's bottom section. The grate carries the full weight of the fuel bed, and by its rotary motion it makes for an even downward flow of the reactor charge. Finally, it serves as an ash removal device, effecting ash withdrawal into an ash lock whence the ash is then taken out of the pressurized vessel. All kinds of coal can be gasified. In the case of caking coals, the distributor is equipped with stirrer blades. For feed preparation, run-of-mine coal is screened to 5 mm +, in special cases to 3 mm +. The balance, i.e., the undersize, is burned in steam boilers.

The beneficial effect of pressure on methane formation and associated savings in oxygen has already been mentioned. Yet, the application of pressure affords a number of additional important advantages. Firstly, a gasifier's specific throughput increases as the square root of pressure. Secondly, the crude gas, on its way to conditioning/purification, must be compressed. A modern gasifier, such as the Lurgi Mark IV, as has just come on stream in Sasol's Sasolburg, Republic of South Africa works, cranks out as much as 70,000 Nm^3/hr per unit.

The gas, as it leaves the gasifier, still contains steam, tar, oil, naphtha, phenols, H_2S and other contaminants. Primary purification of this gas is carried out in a wash cooler (directly flanged to the gasifier) and a waste heat boiler. By intensively washing the gas with tar-containing recycle condensate, coal dust and heavy tar fractions are removed. Lighter tars, oil, and steam are condensated in subsequent cooling stages. This condensate also contains ammonia, resulting in a pH of well above 7 and thus efficiently protects piping and heat exchangers from corrosion.

Gravity separators are used to separate the phenol containing condensate, or gas liquor, from both tar and oil. Phenols are removed, along with ammonia, in a Lurgi Phenosolvan Unit.

Today's most efficient process for gas purification is the Lurgi-developed Rectisol Process. It is based on the high solubility of chilled methanol for all unwanted constituents from the gas. The gas, as produced according to the base scheme, can be used directly as pipeline gas. It boasts a heating value of around 4000 kcal/Nm^3/hr (16.750 KJ). Prior to World War II, three lignite based town gas plants were built. In the early 1950's, three plants, feeding on bituminous coal, plus an additional one for lignite, came on stream. In 1955 the Fischer-Tropsch syngas plant for Sasol's "Oil-from-Coal" facility went into operation.

Initially, nine 4 m OD gasifiers were installed. As time went on, the throughput of an individual unit could be increased, and by expanding the plant, production increases could further be realized.

Recently, the first prototypes of a new, high capacity unit were successfully put into operation at the Sasol works. Other syngas plants—this time for ammonia—have been built in both Pakistan and South Korea.

The development of the new, high capacity gasifier actually made its way through many stages. The early developers of Lurgi's coal technology, the following generation of engineers, as well as the close cooperation with clients and the latter's often creative contributions—particularly Ruhrgas and Sasol—all have helped to make Lurgi gasification the success it now represents. At present, Sasol has commenced operation at Secunda, South Africa of the world's largest coal gasification plant. A total of 36 high capacity gasifiers will convert 9 mio. tons per year of a high ash coal into some 2 mil. tons per year of liquid products, mainly gasoline and diesel.

Another big market is the U.S., where the production from coal of substitute natural gas, or S.N.G. is actively pursued by a number of companies: All big US projects considered so far are based on the Lurgi Process. Other large projects for the production of syn-gas for methanol, ammonia, and other chemicals are also being worked on; thus, there is good evidence that Lurgi coal gasification will make a substantial contribution to secure future energy requirements. This last statement is true for the entire field of coal technology. A gamut of processes are available to handle everything from the raw coal all the way to the final product. Of course, all these processes are constantly being refined and improved. ▪

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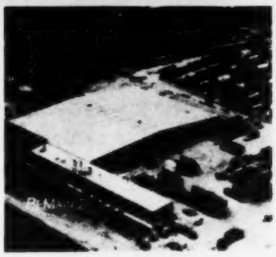

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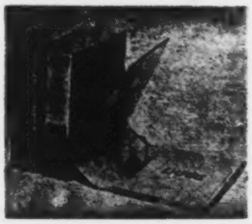

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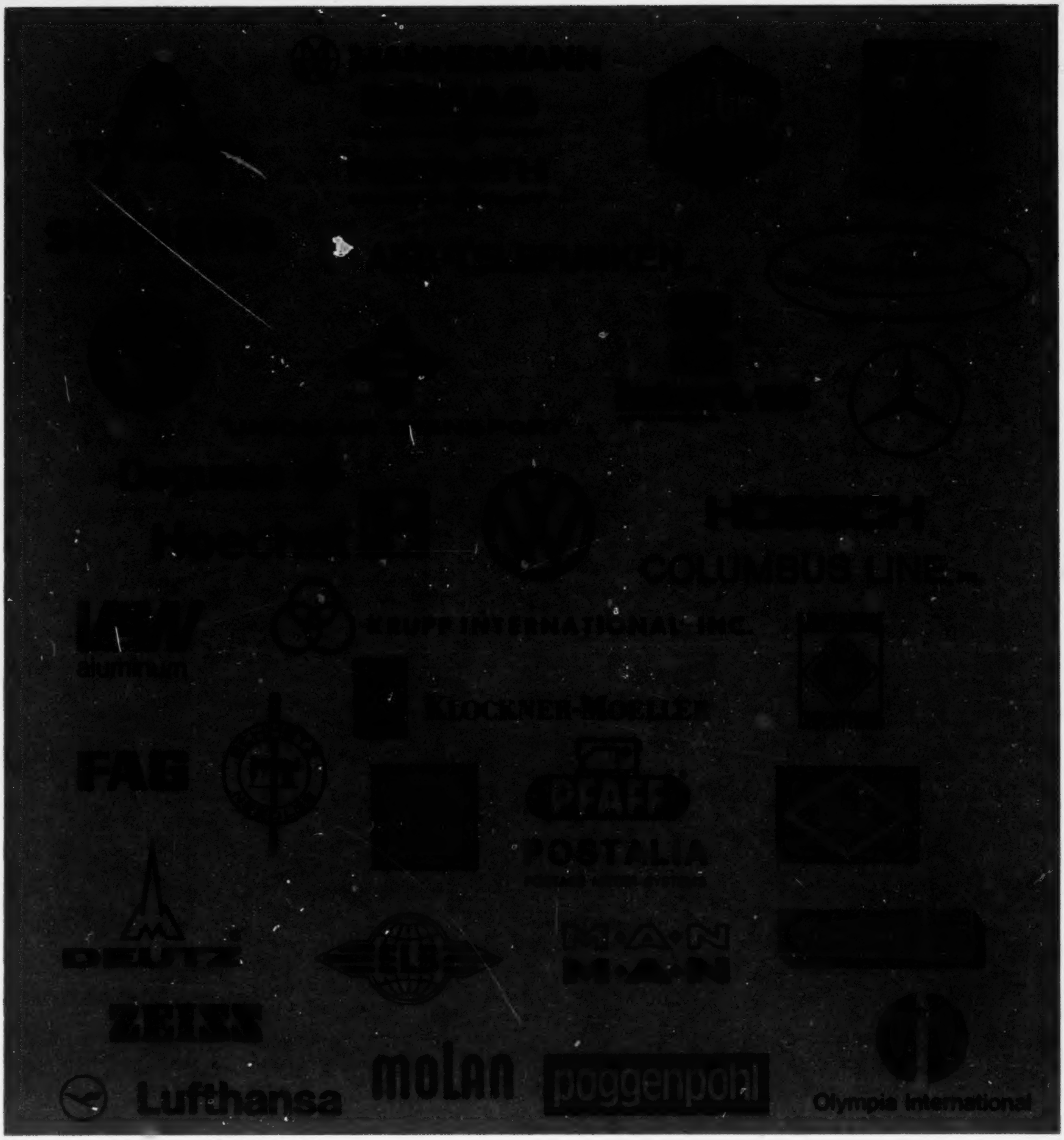
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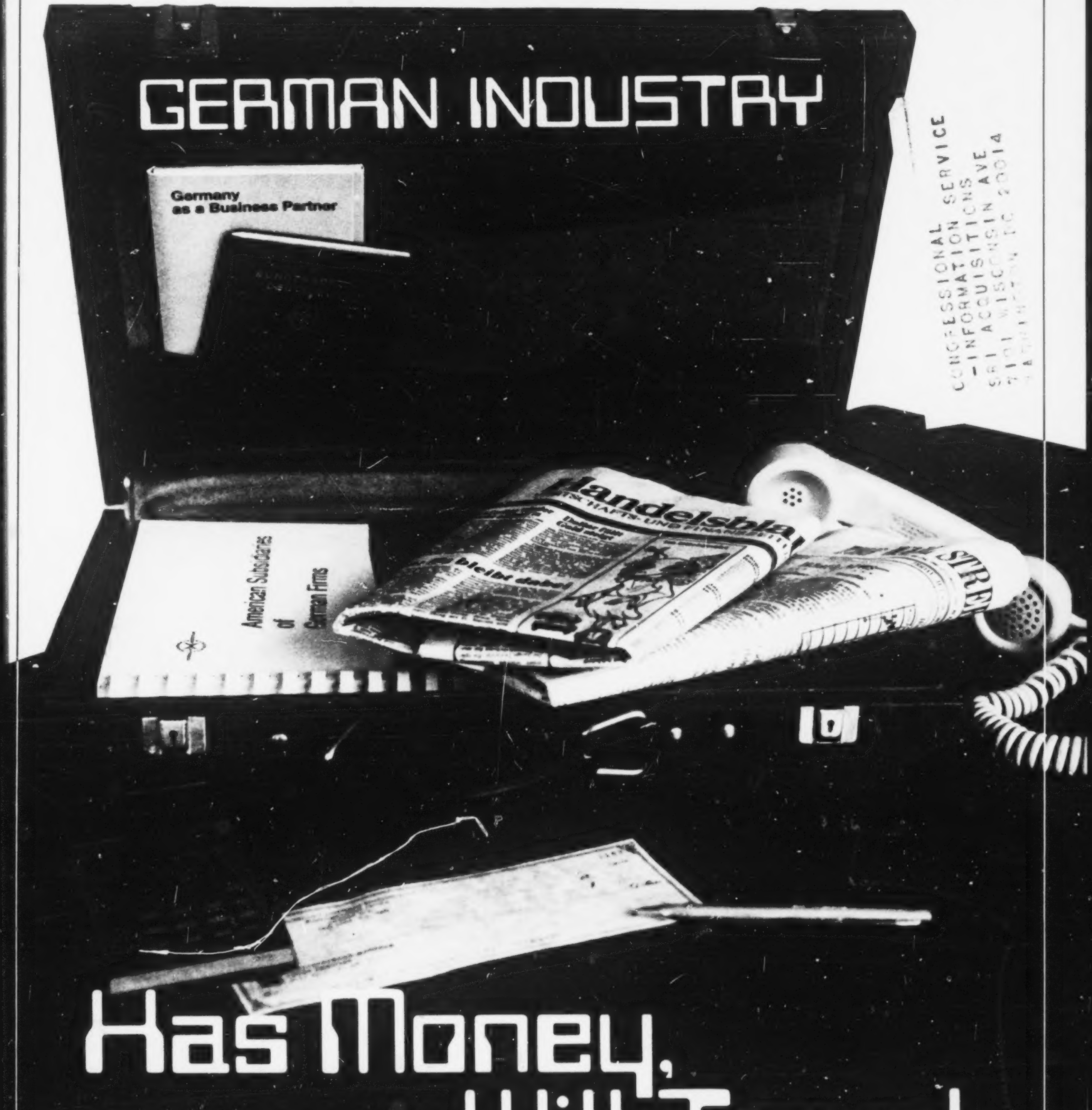
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Chamber Commentary

Uneasy summer

This summer's doldrums appear to be less dull than usual. While most of the United States lies under a blanket of unremitting heat and drought, Western Europe has experienced one of the coolest and wettest summers in memory. The nominating conventions in the U.S. have officially launched the 1980 presidential campaign, and terrorists in Germany and Italy seem to have gotten a second wind. So, between seared crops here and wet tempers in Europe, and the gladiatorial arena of politics on the one extreme and cordite on the other, this summer has not exactly lent itself to rest and play.

Coincidentally or not, economic news in the quarter ending June for the United States and West Germany fit the weather: unseasonable. Certainly not by current meteorological extremes, but uncomfortable.

In the United States, the long awaited recession arrived. Indeed, even if Fed chairman Volcker's stringent anti-inflationary monetary policy since last October and the credit clamp in March had not taken place, it seems likely that the deep crisis in the American automobile industry would in itself have written finis to the overly mature economic expansion this country has witnessed since 1975, the longest in postwar U.S. history. It remains only to be seen how long and how deep it will be. The consensus—by no means overwhelming—is that the downturn will not be severe and will probably not extend past the October-December quarter. Beyond that, most analysts predict a painfully slow recovery through 1981.

By midyear, it has also become apparent that German business expansion is beginning to lose steam. Industrial production in the Federal Republic fell 3.5 percent in the May-June period, and unemployment has risen steadily from June through July. Despite these summer storm clouds, most observers view the original target of 2.5 to 3 percent real growth as unendangered. Real concern arises in projecting the potential effect of this second-half decline into 1981.

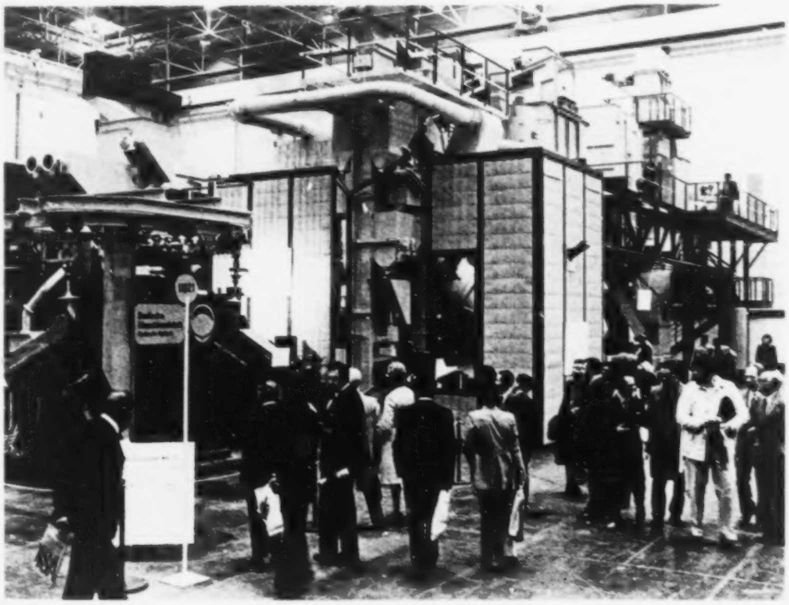
Taken together with deteriorating prospects for France, Great Britain and Italy, the possibility that the industrialized world is about to enter another synchronized slump is becoming painfully real. Hopes last year that this could be avoided hinged on the expectation of an early recession in the U.S. that would develop into at least a moderate recovery by late 1980. At this point, our hopes must rest on the nearer term course of U.S. policy in the expectation that it will deemphasize consumption and government spending and turn to greater investment in restoring and restructuring its industry. In a presidential election year, however, forecasts in this area are as meaningful as reliance on meteorologists to tell us when the American drought and the big rain in Europe will end.

Trade Fairs

1979 a "good" year for Cologne

Some 16,000 firms from 88 nations presented their products at 18 trade fairs and trade exhibitions and drew about 600,000 buyers and visitors to Cologne. The Trade Fair Company's turnover rose by 20 percent over the comparable year 1978 to DM 96 million. The gross floor space occupied increased to more than 17,216,000 sq. ft. (1.6 million sq. meters). The year 1979 closed with a favorable result. Returns from the programs organized in the trade fair convention center doubled, reaching DM 1 million.

A turnover of more than DM 100 million is expected in 1980. Four new events have been included on the trade fair program. Reconstruction of hall 10 is to increase the available floor space by 80,700 sq. ft. (7,500 sq. meters) to 2,259,600 sq. ft. (210,000 sq. meters).



Cologne Spring Fairs 1981:

The Cologne spring fairs for household appliances, housewares and hardware will again overlap one another from 11th to 17th February, 1981:

- DOMOTECHNICA—International Fair for Household Appliances, Fittings and Components;

Wednesday, February 11th, to Saturday, February 14th;

- International Housewares Fair—

Thursday, February 12th, to Sunday, February 15th;

- International Hardware Fair—

Tools + Locks + Fittings + D-I-Y Supplies—

Saturday, February 14th, to Tuesday, February 17th

In addition to traditional exhibitors, a number of new firms have booked stand space at the Cologne spring fairs. Bookings up to now indicate that attendance in 1981 will equal, or exceed, the total number of 2,742 exhibitors from 44 countries, who participated in the spring fairs in 1980.

Lune Metal Spinning Co Ltd

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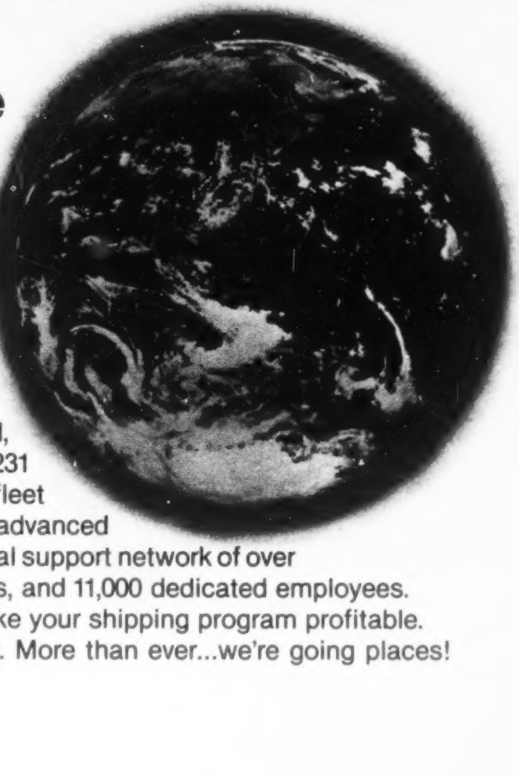

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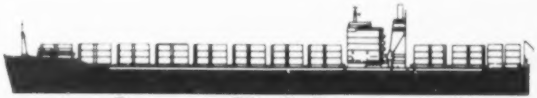

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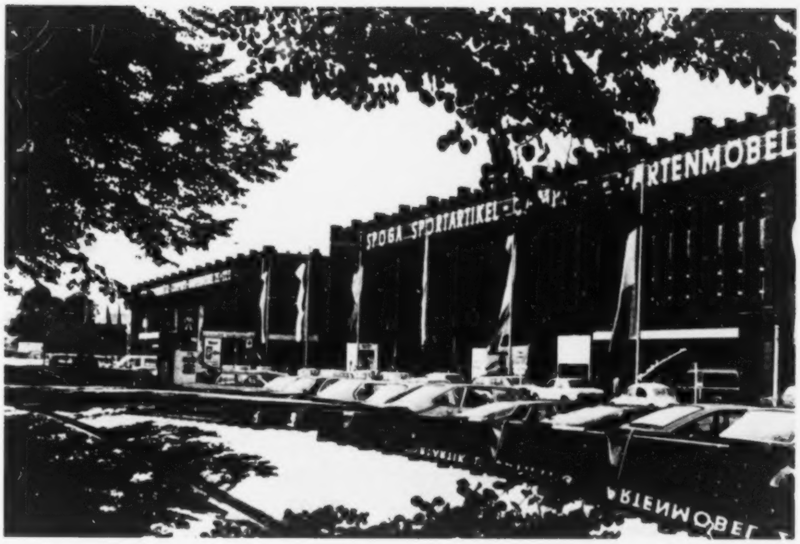

International DOMOTECHNICA 1981

Some 550 firms from more than 20 countries are expected at DOMOTECHNICA—the International Fair for Household Appliances, Fittings and Components to be held in Cologne from Wednesday, 11th to Saturday, 14th February 1981, again coordinated in its timing with the International Housewares Fair (12th to 15th February) and the International Hardware Fair—Tools, Locks + Fittings, D-I-Y Supplies (14th to 17th February). About 45% of all exhibitors are from countries other than Germany.

It is already apparent that all the market leaders in this sector from home and abroad will be represented. The products on display will be presented on a gross floor space of 720,920 sq. ft. (67,000 sq. meters). They include electric heaters, small electrical appliances of all kinds, washing machines, laundry dryers, spin dryers, rotary ironers, dishwashers, refrigerators and freezers, heating and cooking appliances for all types of fuel and power, built-in appliances, fitted kitchens and accessories of all kinds, i.e., semi-finished products and component parts, also articles for electrical installation.

The high standing meanwhile acquired by this fair is reflected in an attendance survey carried out on behalf of the Cologne Trade Fair Company at the 1980 DOMOTECHNICA in Cologne by an independent research institute. This showed that 26.6% of the interviewees were owners or partners at their firms, 16.5% were members of the board or managers and another 26.0% departmental heads or managers. More than two-thirds of all visitors were thus in the top executive or deputy executive category.

According to the same survey there has been a further growth in the international emphasis of attendance. Roughly one third of the persons interviewed came from foreign countries (30.4%). Total attendance was 9% up on the previous fair and a 12% growth in foreign attendance was noted. More wholesalers and foreign traders came from abroad (33.6% as compared with 22.0%) while the retail trade predominated among home visitors (29.9% as against 17.4%). Among foreign interviewees the proportion of visitors from industry was much higher than among the home visitors (34.1% compared with 27.9%).

International Hardware Fair

The International Hardware Fair—Tools, Locks + Fittings, D-I-Y Supplies to be held in Cologne from February 14 to 17, 1981 is expected to attract all the leading manufacturers from home and abroad in this sector. Once again tools, locks and fittings will prove to be the mainstays of this fair. Already there is every indication that there will be an expansion of the do-it-yourself section of the fair both as regards tools and materials.

Accordingly, trade visitors from all parts of the world will again be offered a survey of international product availability in this sector that is unique in its completeness. The importance attached to attending this fair is apparent from an attendance survey undertaken on behalf of the Cologne Trade Fair Company by an independent research institute during the last fair.

This survey revealed that 34.6% of all visitors were owners or partners at their firms, 12.2% were board members or managers and another 22.7% departmental heads or managers. This means that more than two-thirds of all visitors are in the top executive or deputy executive category.

Roughly one third of the interviewees came from foreign countries (31%), the proportion of home visitors being 69.0%. Wholesalers and foreign traders were more widely represented among the foreign visitors (49.0% as compared with 31.9%) while the retail trade predominated among home visitors (25.9% as against 14.4%).

As expected, visitors from the hardware and houseware sector were most widely represented with 38.0% and from the total sector with 30.9%. 23.4% of all visitors came from the sector supplying materials for home craftsmen (do-it-yourself supplies: 9.7%; building market: 6.6%; building materials: 3.7%; wood: 3.4%). More than half of all visitors (55.6%) stated "buying or buying preparations" as their reason for attending the fair. More than one in two (58.4%) wished to widen existing ties or initiate new business connections.

Buying intentions (59.8%) and the desire to make contacts (59.4%) were, on average, more marked among foreign visitors. ■

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Ich weiß nicht was soll es be-deu-ten, daß
ein Mär-chen aus al-ten Zei-ten, das
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2.
nicht
ich so trau-rig bin; kommt mir aus dem Sinn.
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Has Money, Will Travel

Record outlays for direct investment abroad in '79

VW's Westmoreland Rabbit assembly plant represents a major German commitment of capital to the U.S.

You might almost call it the second German immigration. Just as the 19th century witnessed a mighty wave of German settlers into the United States, so the past few years have seen a massive influx of a new immigration from Germany—money. To be sure, there are differences. The numbers, though impressive, are not overwhelming; and the emigration is being drawn, not driven, to these shores. But the end result has been similar: in this case, a visible German business presence in the United States.

Nor are the Germans alone. Other European nations, too, seem to share an underlying optimism about the future in the U.S. and, like the Germans, are either investing in new facilities or are buying established companies at an accelerating pace. The U.S. Department of Commerce's latest tabulation of investments from abroad, published in April, lists 1,070 transactions last year, compared with 334 in 1978. Although the precise value of many of these transactions was never announced publicly, the Department estimates the total at $12.5 billion, as against $6.1 billion the year before.

A survey by the New York-based Conference Board puts the number of foreign investments in U.S. manufacturing at 437 in 1979, versus 358 the year before and 274 in 1977. The countries listed by both surveys as the leading investors were Britain, Canada, France, Japan, The Netherlands, Switzerland, and West Germany. Germany, with 83 transactions counted, led the foreign investment derby, as it has since 1977 when 53 transactions were listed. In second place, with 73 investments, was the United Kingdom, which has occupied that ranking since 1977. In all, the composition and sequence of leading investment countries has changed hardly at all in the last three years, and despite frequently expressed fears of a potential OPEC buyup of U.S. assets, the oil producers do not figure significantly on anyone's list, at least not as a direct source of funds.

The Conference Board survey also reveals a surprising uniformity in the list of the ten most favored states: California, New York, Texas, North Carolina, Georgia, Connecticut, Pennsylvania, Ohio, South Carolina, and New Jersey. California and New York finished in a tie this year (50), the first in which the latter did not lead by a clear margin. New Jersey and South Carolina shared the last rung at 17 transactions each.

Pace quickens

If anything, the flow of foreign capital to the United States appears to be accelerating. The Conference Board reported that foreign firms announced 104 new manufacturing investments in this country in the first quarter of the year. Spending reports were announced for 53 of these investments and these amounted to $1.4 billion. The first quarter total compares with 85 investments reported in the January-March period of 1979 and with 139 in the last three months of last year.

Again, previous trends seem to be

confirmed. North Carolina received 12 new investments in the first quarter, leading all other states. Next came Pennsylvania (10), Texas (8), California (6), and New York, Ohio, Georgia and Illinois (5 each). West German companies maintained their lead with 29 new investments, while firms in the United Kingdom announced 21 new manufacturing projects and Japanese companies 14.

Non-electrical machinery accounted for 21 investments to pace other industries, followed by chemicals (16), and food (8). A large majority of the first-quarter projects (60 percent) represented new construction or expansion of existing facilities in the U.S.; the remaining 40 percent involved the acquisition of American companies.

German investment in particular initially favored the Northeast, especially New Jersey and New York. The second wave of investment, distinguished from the first by its concentration on manufacturing facilities as opposed to administrative offices, is increasingly locating in the Sunbelt, especially the Southeast. "Until five years ago, most Germans thought the U.S. was four states—New York, New Jersey, Pennsylvania and Connecticut," says Gunter Nitsch, manager of market development of the German American Chamber of Commerce. "Now these states are fighting for investment that only a few years ago would have naturally gone there."

Foreign Direct Investment of Selected Countries

	1970		1978	
	Total ($ bil.)	*Share (in %)*	*Total ($ bil.)*	*Share (in %)*
United States	78	50	168	42
United Kingdom	20	13	35	9
France	4.5	3	15	4
Federal Republic	7	4.5	29	7
Japan	4	2.5	27	7
Switzerland	8	5	25	7
Canada	5	3	16	4
The Netherlands	3	2	14	3.5

Source: Deutsche Bank

Charlotte, North Carolina is one example of the growing German penchant for industrial settlement in the Sunbelt. A stretch of Route 85 outside the city is frequently referred to as "the autobahn" by local residents. Among others, the town hosts facilities for American Volkman, Hamel, Fleissner, American Zinser, and Krupp. The city has become home to 4,000 transplanted Germans. Its public schools report that there are 1,500 children whose primary language is not English. Many of these are German-speaking.

Building on tradition

Many of Germany's corporate giants have been here for years. Companies such as Siemens, Volkswagen, Zeiss, Hoechst, Bayer have long established subsidiaries in this country. To be sure, German direct investment in the U.S. goes back over a century. In 1865 Bayer AG opened a dye plant in Albany, New York. In the wake of two world wars, German property was confiscated and a long moratorium ensued.

Undoubtedly, a wealth of capital in German corporate treasuries, combined with a weakened dollar, has had much to do with the heavy influx of German investment here, but other, and more fundamental, incentives predominate. Most German corporate executives cite a large and still expanding U.S. market, a less onerous regulatory climate, and political stability as major considerations. And, as one key executive was recently quoted, coming here for many is "a matter of survival." In other words, German firms saw the need to expand international sales more strongly in order to support expanded R & D budgets.

Mobil
AMERICARD

Many major credit card manufacturers use durable vinyl sheets produced at American Hoechst's film division plant in Ottawa, Ill.

The current flow of funds represents a distinct turnabout from the pattern of a decade ago when many Europeans were becoming alarmed at the dimensions of American investment on the Continent. The beginning of a new direction in funds traffic was first recorded in 1978 when German investment in the U.S. surpassed American investments in Germany for the first time: $1.1 billion versus $478 million. As the flow of investment monies to the U.S. has gained momentum, worries have arisen in Europe about the implications of a major shift of production to foreign markets and the resulting loss of jobs at home. These fears are, however, baseless.

To be sure, German investment abroad over the past several years has significantly exceeded foreign investment in the Federal Republic. At DM 7.8 billion (net) in 1979, German companies increased investment abroad by more than DM 1 billion. With net foreign investment in West Germany down to DM 1.9 billion, a decline of more than DM 1 billion from the previous year, the capital outflow came to some DM 5.9 billion, compared with DM 3.6 billion in 1977 and DM 2.3 billion in 1976.

Preliminary balance of payments figures for this year's first quarter indicate that this trend is continuing. With German direct investment abroad rising by DM 2.67 billion and foreign investment in Germany virtually unchanged from January-March 1979, the net capital outflow on this account swelled to DM 2.1 billion against DM 1.4 billion in the corresponding period of 1979.

Another record year

According to statistics compiled by the Bundesbank, total German direct investment abroad as of end-1979 amounted to DM 66 billion, a sharp rise of DM 7.82 net over the December '78 aggregate. As in previous

Foreign Direct Investment in U.S. ($ billions, year-end 1978)

The Netherlands	9.8
United Kingdom	7.4
Canada	6.2
Germany	3.2
Switzerland	2.8
Japan	2.7
France	1.9
Other	6.8
Total:	40.8

Source: U.S. Department of Commerce

German Direct Investment Abroad (in DM billion)

	1978	*1979*
United States	8.6	12.3
France	5.6	6.4
Belgium/Luxembourg	5.8	6.3
Switzerland	5.2	5.3
Brazil	4.5	5.0
Canada	4.0	4.4
The Netherlands	3.6	4.2
Spain	3.2	3.4

Source: Dresdner Bank

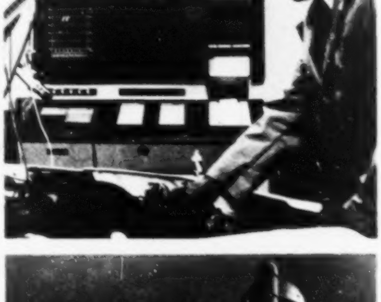
years, the lion's share went to the U.S., which received a net influx of DM 3.69 billion. Thus, German investment increased last year by a full 96 percent, following a healthy growth of 28 percent in 1978. In other words, nearly one out of two marks consigned abroad last year went to the United States, where a total of DM 12.28 billion in German direct investment now reside. The U.S. share of total German direct investment abroad jumped in one year from 14.8 to 18.6 percent.

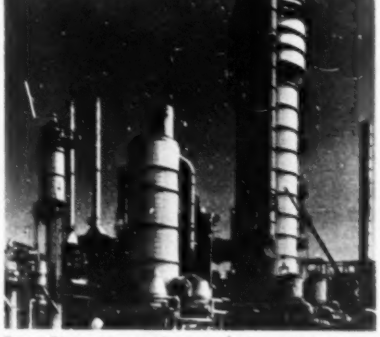
France moved from third to second place in the preference of German industry, receiving a total of DM 722 million. At a total of DM 6.35 billion, France is now the domicile for 9.6 percent of all German foreign direct investment. The other countries of preference last year were The Netherlands (DM 551 million), Brazil (DM 533 million), Belgium/Luxembourg (DM 499 million), and Switzerland (DM 137 million). Of the current German aggregate of DM 66 billion invested abroad, 75 percent is allocated to manufacturing, 20 percent to service industries (credit institutions, insurance companies, hotels), and the remainder to real estate and miscellaneous.

Foreign investment in the Federal Republic last year swooned to DM 1.92 billion (net), down sharply from the DM 4 billion recorded in 1978. Aggregate foreign investment in West Germany end-1979 totaled DM55 billion, with the U.S. the major source (DM 20 billion), followed by Switzerland (DM 8.6 billion) and The Netherlands (DM 6.67 billion). Thus, American direct investment in Germany still stands over 50 percent higher than its German counterpart in the U.S. But the gap is narrowing, and rapidly. By comparison, the nations of the European Community account for 36 percent, although this figure represents only a mild increase from 35.3 in 1978.

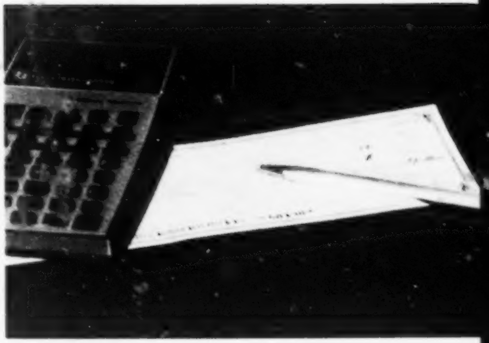
Investment in perspective

Though absolute figures in recent years have been impressive, relative comparisons are less so, and refute charges that jobs are being exported. German net foreign investment—investment abroad less investment of foreign firms in Germany—accounted for only 3 to 4 percent of gross domestic capital spending by German firms, excluding residential construction. This is up from the 1 and 1.3 percent recorded in 1977 and 1978 respectively, but it hardly supports fears that German industry is engaged in a major transfer of its assets. One other comparison is also telling. During the 1975-1977 period, German direct investment abroad averaged only 1 percent of the country's annual exports, as compared with 8 percent for the U.S. and 2.5 percent for Japan. By last year this ratio had more than doubled but, at 2.48, was still distinctly modest.





Top: Siemens engine analysis system
Bottom: American Hoechst's new Bayport Works



By all accounts, the German engagement in the United States is oriented to the long term. Perhaps the best definition of this nebulous concept was recently offered by the president of the U.S. subsidiary of a German giant: "We're not thinking ten years out, but far future." Indeed, this corresponds to the traditional concept of German executives, whose careers are not critically oriented toward short- or medium-term results. Hence, they can feel more comfortable in segregating short-term operating budgets from longer-term investment budgets.

This year appears to be shaping up as another record year for German direct investment abroad, and the U.S. will undoubtedly again gain the largest share of the pool of funds available for overseas placement. Apart from the firm physical and financial commitment involved in this phenomenon, there seems to be another implicit message for Americans. Namely, that our German business partners entertain a degree of optimism about this country's future that has been temporarily lost by many Americans. ■

German-American Economic Review in Figures

	Federal Republic of Germany					United States				
	1978	1979	1979–1980			1978	1979	1979–1980		
			Feb.	March	Apr.			Feb.	March	Apr.
FOREIGN TRADE (in mil.$)										
Imports	121,757	159,708	16,674	15,835	15,508	173,272	207,198	21,640	20,607	19,308
Exports	142,456	171,882	16,937	16,920	16,093	143,460	181,829	17,233	18,534	18,468
Balance on merchandise trade	20,699	12,175	263	1,085	585	−29,812	−25,369	−4,407	−2,073	−840
U.S.-GERMAN TRADE (in mil.$)										
U.S. imports from Germany	10,087	11,332	1,067	1,053	1,084	9,961	10,955	993	1,143	1,101
(+)(−) % from previous year	27.6	12.3	34.7	11.3	5.2	38.1	10.0	45.6	33.2	12.1
U.S. exports to Germany	8,725	11,080	1,270	1,189	1,198	6,815	8,272	946	1,038	1,003
(+)(−) % from previous year	18.9	27.0	40.0	25.2	42.3	17.0	21.4	59.0	30.4	58.5
Balance on U.S.-German trade	1,362	252	−203	−136	−114	−3,146	−2,683	−57	−105	−98
INDUSTRIAL PRODUCTION										
(+)(−) % from previous year	2.6	5.4	6.6	7.0	2.1	5.8	4.2	0.2	−0.9	−1.5
Iron and steel	5.8	9.0	−1.1	−0.6	—	9.5	0.0	−6.6	−8.7	−15.8
Machines, exc. elec.	0.2	4.8	2.0	7.2	5.1	7.5	6.5	2.0	1.2	0.5
Electrical machinery and equipment	1.1	1.3	7.8	14.1	8.0	8.7	9.8	3.8	3.0	4.2
Chemicals	5.2	6.7	4.1	3.6	—	5.5	6.6	3.5	3.5	2.2
Road motor vehicles	2.3	7.5	−0.8	−1.5	−0.5	5.4	−5.8	−21.8	−26.6	−26.1
Textiles	−1.1	3.8	6.8	8.6	6.1	2.1	4.6	2.7	0.4	−0.8
Apparel	−3.2	−0.1	−2.1	−0.6	—	1.7	−2.6	−4.1	−7.0	—
LABOR MARKET										
Population (in mil.)	61.3	61.4	—	—	—	218.7	220.6	221.9	222.0	222.2
Civilian labor force (in 1000)	25,230	25,548	—	—	—	100,420	102,908	104,260	104,094	104,419
Unemployed (in 1000)	993	876	993	876	825	6,047	5,963	6,307	6,438	7,265
Unemployment rate (in %)	4.3	3.8	4.3	3.8	3.6	6.0	5.8	6.0	6.2	7.0
Gross hourly wages in manufacturing (in DM or $)	11.88	12.55	—	—	—	6.17	6.69	6.98	7.06	7.10
(+)(−) % from previous year	5.4	5.6	—	—	—	8.6	8.4	7.2	7.6	8.2
PRICES (+)(−) % from previous year										
Consumer Price Index	2.7	4.1	5.6	5.8	5.8	7.7	11.3	14.1	14.7	14.7
Producer prices for ind. products	1.2	5.0	8.0	7.8	8.2	7.3	—	19.3	19.0	18.2
CURRENCY EXCHANGE RATES (avg.)										
Value of $1.00 in DM	2.0084	1.8330	1.7472	1.8494	1.8728	0.4987	0.5456	0.5720	0.5404	0.5331
Value of DM 1.00 in $						0.4987	0.5456	0.5720	0.5404	0.5331

	1978	1979	1979-1980				1978	1979	1979-1980			
			III	IV	I	II			III	IV	I	II
NATIONAL ACCOUNTS												
Gross National Product at current prices (in bil. DM or $)	1,287	1,395	1,422	1,530	—	—	2,128	2,369	2,396	2,457	2,521	—
(+)(−) % from previous year, real terms	3.5	4.4	4.1	4.4	—	—	4.4	2.3	1.8	1.0	0.8	—
Balance on current account (in mil. DM or $)	17,524	10,495	−8,498	−1,808	−5,624	—	−14,259	−788	1,099	−1,802	−2,567	—
Monetary reserves (in mil. $)	57,818	60,455	60,209	60,455	53,351	—	18,650	18,930	18,540	18,930	21,450	—
Direct investment, cumulative at period end (in mil. DM or $)												
Direct investment abroad	58,193	66,002	—	66,002	—	—	168,081	—	—	—	—	—
—German investment in the U.S.	8,591	12,283	—	12,283	—	—						
—U.S. investment in Germany							12,746	—	—	—	—	—
Foreign direct investment	53,326	55,242	—	55,242	—	—	40,831	—	—	—	—	—
—U.S. investment in Germany	19,923	20,140	—	20,140	—	—						
—German investment in the U.S.							3,191	—	—	—	—	—

Sources:	
Statistisches Bundesamt	U.S. Department of Commerce
Deutsche Bundesbank	U.S. Department of Labor
Bundesministerium fuer Wirtschaft	Federal Reserve System
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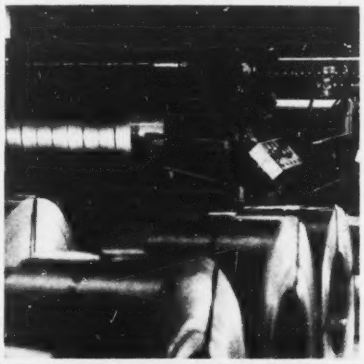

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WORKERS CODETERMINATION: Should the U.S. Follow Germany's Lead?

Fortunat F. Mueller-Maerki

Can United Auto Workers' president Douglas Fraser avoid conflicts of interest in his new position as a board member of Chrysler Corporation? That's the subject of an intense debate between U.S. business and labor leaders The same issue is under scrutiny in Germany, but worker representation on the board is not narrowly limited to one man in one company. In compliance with a law passed by the Bundestag in 1976, virtually every corporation with more than 2,000 employees now has a codetermined board.

In practical terms, codetermination ("Mitbestimmung") means that half of the supervisory board members represent the shareholders and the other half represent labor. Depending on the size of the work force, the boards have 12, 16 or 20 members. The chairman, who is elected by shareholder representatives only, has the authority of a tie-breaking vote.

To make things complicated, the labor contingent on the board is divided into several categories. Management employees who are not officers of the company have the right to elect one director. Rank-and-file workers of the company elect their representatives, and the labor unions are represented by yet another group of directors. The latter group usually chooses national union officials who are not directly involved with the company.

Fortunat F. Mueller-Maerki is a consultant in executive search with Egon Zehnder International. A graduate of the University of Bern (Switzerland) and of the Harvard Business School, he has worked extensively in recent years in Germany to help find new executive talent for many of Germany's large codetermined corporations. He is now based in the New York office of the Zehnder organization.

Works' council meeting of I.G. Metall workers' union at steel pipe plant in Duisburg.

So much for the structure. What have been the consequences of this new concept?

One of the most apparent changes is the increased length of board meetings. They now last from two to five times as long as in the past. Despite the enormous amount of time being spent in Germany to prepare for and participate in board meetings, one can argue that this is not necessarily bad. More aspects of a question are considered in decision-making and less "rubber stamping" takes place.

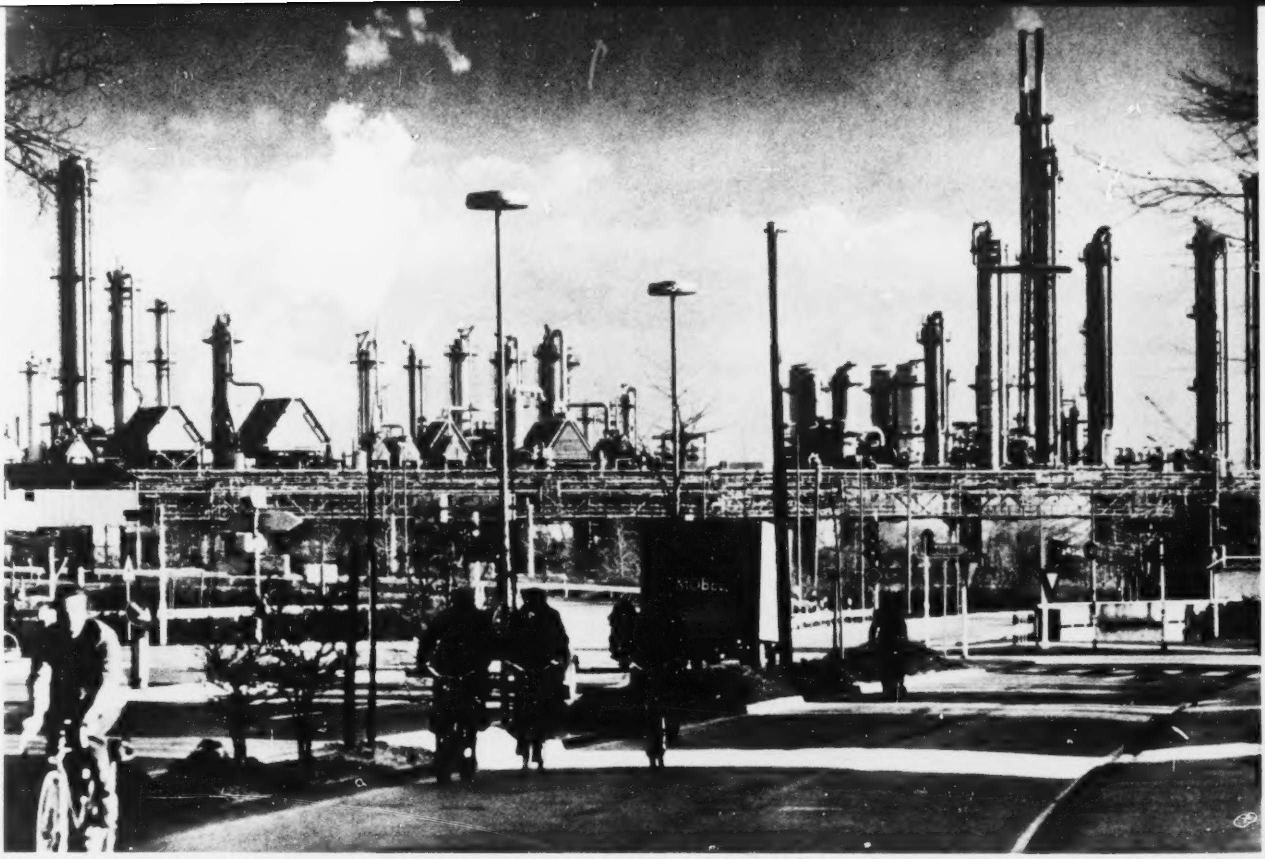
Fortunat Mueller-Maerki

However, the board will be effective only as long as *all* members are genuinely interested in the long-term benefits of mutual cooperation. The early experience with codetermination indicates that this attitude does not exist in all cases. Prior to the passage of the law, there was considerable speculation about potential conflicts of interest between stockholder and labor representatives. As predicted, some classic disputes arose:

- Salary increases versus dividend increases.
- The need to invest in new production facilities overseas while reducing the domestic work force.

In most instances, the representatives of labor began to appreciate that a high level of profitability was necessary to ensure the future capital inflow which, in turn, keeps a company competitive and provides job security for all the employees. The evidence suggests that many German workers recognize their stake in a company's future and have no desire to bankrupt it.

Investor and worker representatives have also reached agreement on some issues which would initially



Production facilities of the BASF plant in Ludwigshafen.

seem divisive. For example, laying off workers is an expensive proposition in Germany. Therefore, it has sometimes been in the short-term best interests of labor *and* the shareholders—in order to avoid layoffs—to temporarily produce an unprofitable product until a better one is developed. The loss on the old product is offset by the money saved by retaining employees.

Economics and logic, unfortunately, do not govern all board decisions. We have witnessed too many compromises where one group on the board will trade its support on one issue for another group's agreement on an unrelated issue. For example, "We will let you raise dividends if you agree not to reduce the work force." Many of these compromise cases have led to decisions of questionable merit.

The codetermination law properly notes that while all board members must be finally governed by their conscience, they must act in the best interest of the company. Stockholder and employee representatives may disagree on timing, relative importance of certain actions, etc., but they recognize their joint commitment to the company's continuing prosperity. Unfortunately, this has not proven true with all categories of board members, with a vociferous minority of union officials being the most visible exception.

In most cases, these officials represent politically powerful national unions, rather than the union locals which are directly involved with a company's plant. Theoretically, the union officials represent the interests of the labor force in the same manner that the directly elected representatives serve the rank-and-file workers. In reality, union officials have a different set of goals than employee representatives, and some of the most heated debates in German boardrooms we know have taken place within the labor half of the board.

Further to the detriment of board operations, union officials have shown a propensity to make ideological points or support political aims rather than act in the interest of company employees. Some board members, who are also the chief ideologues of their unions, have tried to use board meetings as platforms for disruptive tirades on "worker exploitation" and similar subjects. But the most violent disagreement among board members has stemmed from non-economic matters, such as the willingness of a company to join a political boycott against countries ruled by dictators. Typically, the split was not between capital and labor, but between company insiders (owners, employees) and outsiders (union officials). In some cases, the union officials were supported by politicans, who had been originally elected by the shareholders to represent capital.

All of the problems above can be solved, as shareholder and labor continue to gain a better understanding of their common interests. However, there are three serious problem areas which threaten to eliminate all the positive aspects of codetermination.:

- The shift of power from the board to management.
- The question of confidentiality.
- The menace to the willingness of management to take unpopular decisions.

Anticipating potential problems, a large number of German companies made significant changes in their bylaws before the codetermination law went into effect. Many operating decisions, which previously required board approval, were assumed by

All steel companies come under the Codetermination Act of 1951.

management in order to avoid having to discuss them in front of the labor representatives on the board. Those were official changes, which must diminish the board's authority in the long term. Equally important are the unofficial changes. In the past, most managements presented major strategic options to the board for informal discussion, even if the by-laws did not require it. Most of this useful give-and-take has stopped now. There is often less input and control from the board than previously, even though the number (and experience) of board members has increased. Further, many companies now simply hold "off-the-record" meetings between senior management and only the equity half of the board—hardly an optimal situation.

The second major problem is the difficulty of maintaining confidentiality, which recently led to a court case involving HOESCH A.G. in Dortmund. In a company with a codetermination board, it must still be possible to discuss extremely sensitive corporate alternatives openly. Board members can not be restricted by worrying if their comments will appear in the public press the next day. Freedom of speech is guaranteed in the German constitution, and it is the duty of every board member to search for new goals, procedures and solutions for their company. Yet these rights and responsibilities have been repeatedly and dangerously undermined in the recent past by labor representatives "leaking" board meeting proceedings to the press in order to satisfy short-term goals or whims. In certain cases, individual board members have even bee subjected to public abuse when confidential remarks were unfairly disclosed. Personal and political disagreements between members and factions of the board cannot become public entertainment, or else the company will suffer.

The third problem is perhaps the most insidious. Members of top management (the "Vorstand") ultimately depend on the board for their livelihood. Their income and family lifestyle can be cut off abruptly if the board refuses to renew their employment contract. Because these contracts are usually three to five years in length, termination is not at this point in time usually perceived as an immediate threat.

However, many boards formally renewed the contracts with top management for five years just before the codetermination law went into effect in 1978. As contract renewal time now draws closer, some executives have expressed to me in confidence a reluctance to take hard stands on issues that are unpopular with labor. Where inaction has served to curtail unrealistic proposals which alienated the work force, the effect has been positive. But, all too often, this trend has inhibited executives from speaking clearly when tough decisions need to be made. Straight talk on productivity issues and questions related to the closure of obsolete plants has not been forthcoming.

It seems that this fear of becoming unpopular with labor occurs mainly in executives more than 50-years old. They are the ones who will not easily find other employment if their contracts are not renewed. Technically, of course, contract renewal can be forced against labor's will by the chairman breaking a tie vote. But most boards try to avoid that situation for tactical reasons.

This situation clearly has had great impact on senior personnel managers. Even though it is legally possible to appoint a "Personalvorstand" (Vice President - Human Resources) by a "tie-breaker," recent experience indicates that, in reality, the labor half of the board has been given veto power over any appointment in the personnel sector. There is an implicit understanding that no executive opposed by labor will be appointed to the top personnel post. If this trend spreads to other functional areas in the future, the prospects for managerial independence and integrity will be dim indeed.

How relevant is German codetermination to business in the United States? Based on first-hand experience in both countries, I can make the following observations:

- Opening communications between management and labor can create great benefits, as was proven here by the General Motors experience in Tarrytown. Productivity increases when the management/labor relationship is communicative rather than adversary. In certain cases, codetermination may be a valuable element for internal communications.
- Workers, and the union officials who represent them, will appreciate sound management actions when they are made aware of how their economic destinies are intertwined. Higher productivity will follow a logical explanation of the nature of competition.
- Certain types of unions can be a destructive element in the codetermination process, particularly those with political or revolutionary motives, or others who think their goal is to change society.
- Codetermination can work only if confidentiality is assured. Severe penalties should be written into the law for those who breach confidences.
- Codetermination cannot be used —either officially or unofficially—to paralyze executives and prevent them from making the tough decisions. Corporations cannot be forced to make unreasonable concessions to labor because managers fear they will lose their jobs.

If U.S. companies blithely followed the German example toward a glittering goal of "workers democracy," they would probably get lost in a maze of problems like those described above. It is now clear that Germany set out on this experiment before identifying all the variables. If we here in the U.S. want to follow the Germans, we should make sure that we have some good answers to the problems that surfaced before we take off in the same direction. ■

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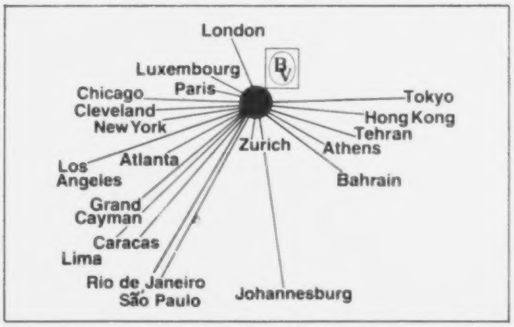

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Are U.S. Corporations a Bargain for Europeans?

Dieter zur Loye

Many people think that U.S. corporations are bargains for European corporations. They seem to be right *if* you look at recent developments of foreign investment in America. As you know, European investment in the United States has increased considerably in the last several years. The Commerce Department reports that from 1973 to 1978, total European investments in the United States doubled: they went from 14 billion dollars to 28 billion dollars.

The remarkable part of this investment concerns the growth in the number of acquisitions. You remember, I am sure, that in the 1960's, it was American companies that were acquiring companies in Europe. But this trend reversed itself in the 1970's.

The Commerce Department reports that during the *last* five years, the number of American companies acquired by Europeans has tripled. During those same five years, the value of these acquisitions has increased six times.

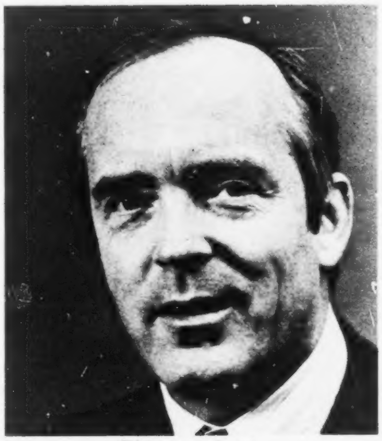
Hoechst is one of the European companies that has played a strong role in this trend. We have acquired 15 American companies or plants during these last five years. Because of this activity, we are often asked to explain the basic ideas behind our investment policy. Most people think that the weakening of the dollar compared to the German mark is the main reason for our recent flurry of acquisitions. People seem to think that we are making acquisitions just because they are bargains in terms of German marks.

They say to us: ten years ago you had to pay four hundred million marks to get one hundred million dollars. But *now* you can get those one hundred million dollars for less than two hundred million marks. They go on to say that investments in the U.S.A. now cost us about half. So acquiring American companies now must be a real bargain.

For the last ten years, I have been directly or indirectly involved in the strategic planning of Hoechst worldwide. During all this time, I have *never* heard the cost of the dollar used as an argument for investment in the United States. Now it just might be possible that we were *not* smart enough to realize that investing in the United States was such a "bargain".

Nevertheless, let me now explain our attitude toward investments, in general and specifically regarding the United States. If the weak dollar is *not* the reason, you might ask, then why are we investing more in the United States now than in the 1960's? Our five-year plan calls for us to invest more than $800 million, not counting acquisitions. In the beginning, we always have to answer the key question. That question is: what do we really want to achieve over the *long* run?

The goal of Hoechst worldwide is to be a research-oriented chemical company and to profit as much as possible from our research and development. Hoechst's research budget in 1979 amounted to $627 million, the biggest in the world chemical industry. Obviously this requires that we have the money available. But since money is not limitless, we have to set priorities.


Dieter zur Loye

These priorities did not always include the United States. Now, for a just a moment, look back with me to the 1960's. At that time, the German chemical industry was undercapitalized. It did not have the money to make large foreign investments. The equity base was limited. In addition, the need to increase scientific developments required us to invest heavily in our plants in Germany. These factors made it impossible for us to start a major investment program in the United States. So the emphasis at that time was on investment in Europe and in some overseas countries where it was possible to build a business with a promising market share.

So it was only when we reached the 1970's that we were able to earmark large amounts for foreign investment. That was possible because the investments in Germany had slowed down in relation to the size of the company. Today, Hoechst's yearly investment in Germany is less than depreciation. This means that a larger portion of the cash flow is available for investment abroad.

For the United States, our current long-term goal is to achieve a position in the market comparable to our worldwide technological potential. But this goal was not possible in our earlier days. In the 1960's, we had to

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Remarks delivered by Dieter zur Loye, Senior Executive Vice President and Chief Operating Officer, American Hoechst Corporation, to The Societe de Chemie, American Chapter, New York, N.Y. Friday, May 23, 1980 build up our German production capacities. And we had to build a worldwide marketing organization to sell the products made in Germany.

This strategy worked. Last year, 1979, Hoechst worldwide sales reached nearly $15 billion. That made Hoechst the largest chemical company in the world. However, less than 10 percent of world sales came from the United States. Yet, the United States is the largest chemical market in the world. So now our top priority is to increase our share of the American chemical market. We believe we can accomplish this because of our know-how and because of our research capabilities. These two factors give us confidence we can even compete successfully in fields here which we have *not yet* entered.

Obviously, Europe, Japan and the United States are the largest chemical markets in the world. However, faster rates of growth are expected to show up in some of the developing countries. But this alone is not enough reason to invest in the developing countries. As you know so well, you have to take the profit and growth possibilities and balance them against the political and economic risks. You have to do this for any investment abroad.

The same applies to investments for a European company in the United States. The United States constitutes a highly industrialized market. It is conducive to free enterprise. It is the largest single market in the world, with a high standard of living. Last but not least, the United States is the most politically stable country in the world. There is a relatively low probability that a business will be expropriated by the government.

The size of the U.S. market also gives us the possibility to use our world technology at lower cost per unit because of the volume of business possible in the U.S.A. We also have the potential to develop know-how here that can be transferred to markets in other parts of the world by Hoechst.

Needless to say, the United States also presents some problems. The trade laws are different from those in Europe. The anti-trust laws are stricter and different. New U.S. laws are often interpreted by the courts soon after they are enacted. For example, the Clean Air Act of 1970 or the Toxic Substances Control Act. The approval for marketing a new drug by the FDA is stricter and slower than it is in Europe. The sheer size of some American industries requires a big investment in order to be a successful competitor. And last but not least, the market is already in the hands of powerful competitors.

When we of American Hoechst go through this balancing act, we have to ask ourselves: now that we have reached the one billion dollar sales level, what are the economic risks we will face as we try to keep on growing at a rate higher than the average growth rate for the American chemical industry? How substantial will those economic risks be for us? So we have to find a way to grow at a rate higher than the average by taking risks within limits.

East tower at the Hoechst Group world headquarters in Frankfurt. More than 30,000 people work in the complex.

As we see it, there are three alternative ways of going along this path:

First, we can license American firms to make our products, *Second,* we can build plants from the grassroots, Or, *third,* we can acquire existing businesses or plants.

During the 1960's we followed the first alternative, we licensed American companies. Although this got us substantial royalties, it did *not* give us any position in the market which we could use in the future. For the *long* run, this was *not* a satisfactory solution.

To build up our position for the long term, we started to construct our plants from grass roots. This was risky. We realized that to achieve our goal of building a strong position in the market over the *long* run, we could *not* do it with know-how *alone*. As long as our product was not very different from others already in the market, we had to utilize a better production process. We could do this by acquiring an existing plant and using our superior production process. At this point, we had to decide whether we should buy a successful company, or whether we should buy a company that was in trouble, which we might be able to improve.

But here again, you have to know what you *really* want to achieve over the *long* run. For example, let's look at the pharmaceutical business. Suppose a European company produces a new drug which shows great promise for the American market. But you need a successful medical department to move the drug through the United States Food and Drug Administration for marketing approval. And when that's done, you need a competent field sales force to market the drug in the U.S. market. To build this kind of organization from scratch is almost impossible nowadays. Even if you have this sort of organization, it still takes millions of dollars before the FDA will give approval for marketing the drug. You have to wait for up to five years to get FDA marketing approval.

So the company you want to acquire to get into the American pharmaceutical business *must* be healthy. In particular, its management and its people must be capable of successfully bringing your new drug through the FDA approval process and then successfully marketing it. To get this kind of company, you have to pay substantially for goodwill.

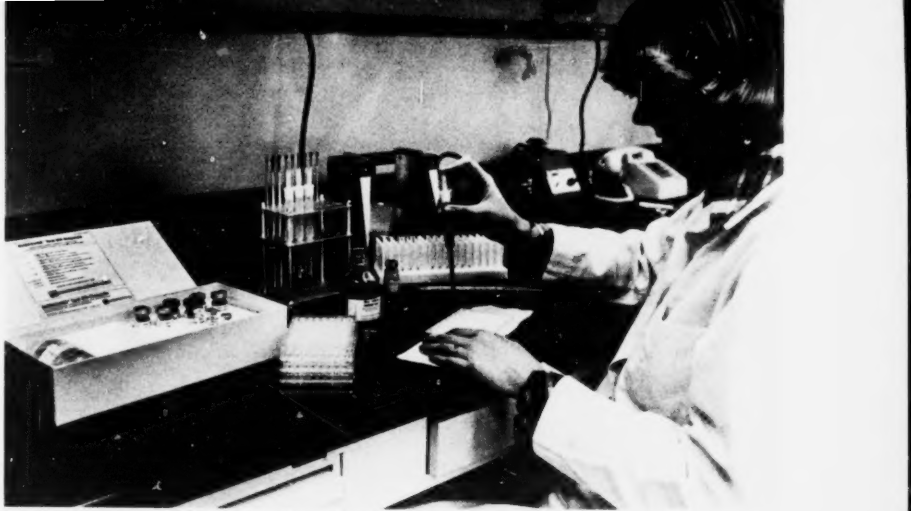
There are many European companies interested in following this procedure. But there are *not* very many suitable acquisition candidates in the United States. The result is either high multiples or high price-earnings ratios, so the prices paid for these candidates are bigger than the classic appraisal theory would justify. In addition, these companies normally are not in a position to earn a reasonable return on investment.

Those are the reasons why pharmaceutical firms are acquired for prices that are outlandish by normal standards. And when this happens, you can be sure that it is almost impossible to get a reasonable return on investment in the *short* run.

Of course, the situation is quite different when you take another route with a product that is already on the market, at low cost and good quality. In this case, the best approach is to acquire a company that is in some trouble, maybe even in the red. And a company you think you can put in good shape with your know-how. Maybe you can install your better production process and turn this company around. Very often, this kind of company you can buy at a price below book value. Obviously this is a better bargain than building a plant from grass roots.

As a general principle, we can only consider buying a company when we believe that we can improve it by using our know-how and experience. However, this is *not* always the case. There have been many times when synergestic effects have been achieved by adding new products to an existing product line. This is especially true when our parent company has new developments which are too small to justify creating a separate organization. In these cases, it is advantageous to acquire a company and add these new products to the existing line. This is similar to the pharmaceutical example I mentioned earlier. However, in these cases, it is absolutely necessary that the company to be acquired possess management and people who are first class.

Above all, the quality of the management of the firm to be acquired is much more important for the foreign investor than for an American buyer. For example, American conglomerates have bought companies that have been mismanaged. Then they have turned these companies around just by putting in some of the conglomerate's managers. But this is hardly possible for the European company that acquires an American company. So in all probability, this is one of the reasons why European companies often are *not* willing to acquire a company whose management opposes the acquisition.


Test kit developed by American Hoechst subsidiary.

So far, I've discussed our strategy for acquiring companies here. But now let me emphasize that our strategy is *not* the *only* factor that rules our acquisitions. The *price* of the company to be acquired is always the *major* factor in our decision.

To go back to the title of my talk: Are U.S. companies a bargain for Europeans? There are two ways of looking at this. The first is: If you have decided to enter the United States market, you must compare the acquisition price to the cost of building a plant from scratch. In most cases, it is cheaper to buy an existing business than to build from scratch. This is the *only* case in which a U.S. company is a bargain to a European.

However, if you want a reasonable return on your investment, the situation is different. The facts of life tell us that it costs lots of money to enter a new market or a new business. But if you acquire a business, you buy a position in the market, one that may be profitable immediately. However, you pay for it with a higher price.

So if your goal is to build a business for the 1990's, you are probably willing to sacrifice some of the return on investment for the near future, even for five years. This is one of the reasons why foreign firms, primarily European companies, are willing, and are in a position, to pay a much higher multiple than most American companies.

Most major European companies do this because they are willing to invest dollars *now* for the future, *not* for next year, but for the *long* run. Under these circumstances, U.S. companies are *not* bargains for Europeans: On the contrary, they are rather expensive purchases.

At this point, let me summarize what I've tried to explain. As a European company, we are *not* buying American companies just because the dollar is weak and the mark is strong.

We are acquiring American companies because it fits into our long-term strategy. As we consider the different alternatives open to us, often we find that the acquisition route is cheaper than building from grass-roots, regardless of the exchange rate. The fact is that most European companies are trying to refinance their investments in the United States with dollars anyway. In the long run, we have to justify the return on our investment.

In the American market, we Europeans are the newcomers. We are different from the established American firms. The established companies see their return on investment much sooner than the newcomers. We newcomers are aware that the fruits of our investments today will come forth in ten years.

That is why such high prices are paid by Europeans for American companies. But they are *no* bargains, as I hope I have explained. ■

TIMES ARE CHANGING. SO ARE WE.

Wholesale Credit Group (pictured at right; from right to left): **Albert Camhi**, Vice President, Director, Wholesale Credit Manager; **Roy V. DeMillio**, Division Head: Export; **Harold I. Dundish**, Assistant Vice President, Division Head: Yarns and Converters; **Nicholas Villios**, Assistant Vice President, Division Head: Women's Apparel; **Nicholas Soccodato**, Assistant Vice President, Division Head: Woolens, Cottons and Outerwear; **Herbert D. Hauser**, Assistant Vice President, Division Head: General Products.

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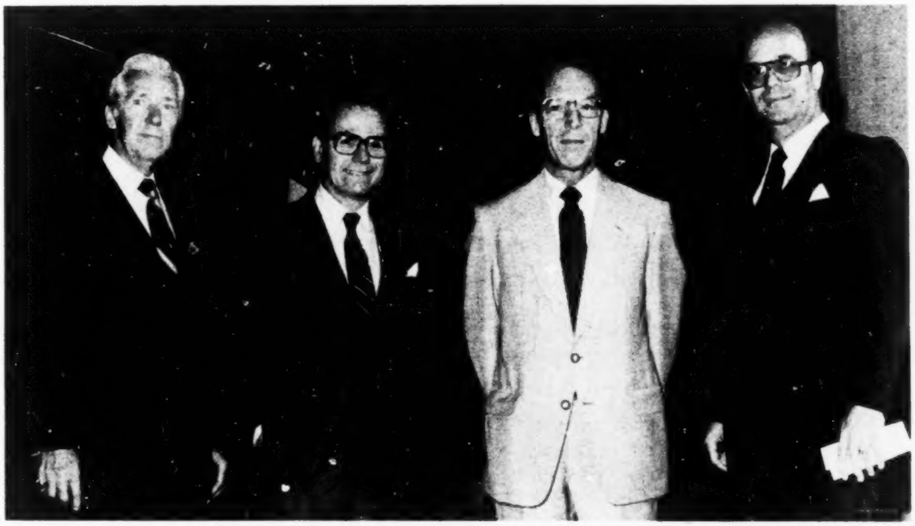

On June 4, the Ambassador of the Federal Republic of Germany to the United States, Dr. Peter Hermes, delivered an address to over 300 members of the German American Chamber of Commerce in Chicago at the Ritz-Carlton Hotel. In the photograph, from left to right: Earl R. Fiene, newly elected chairman of the board, GACC Chicago, and president of Robert Bosch of North America, Inc.; newly elected president of the GACC Chicago, Peter H. Merlin, an attorney with Gardner, Carton & Douglas in Chicago; Ambassador Hermes; and Niels G. Friedrichs, Managing Director of the GACC of Chicago.

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Seeks joint venture, cross license to exchange technology for the production of **industrial waste incinerators** for versatile industrial application. Established 1961, produces and distributes heating boilers, fittings and related equipment. Employs 100, annual sales $5 million. Herbert Johannes Doll, Manager, HEIZA—Hochtemperatur— Kessel GmbH & Co., Postfach 306, D-6730 Neustadt / Weinstrasse; Telephone: 06321-80026; Telex: 454860. P-79983.

Is interested in joint venture, cross license, technology exchange for the production of **waste heat boilers and fittings for versatile industrial applications.** Firm is a manufacturer and distributor of heating boilers, fittings, related equipment. Annual sales $5 million. Established 1961. Herbert Johannes Doll, Manager, HEIZA-Hochtemperatur-Kessel GmbH & Co., Postfach 306, D-6730 Neustadt/ Weinstrasse, Germany; Telephone: 06321-80026; Telex: 454860.

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Film distributor and film printing studio seeks to acquire **film copyrights from large U.S. studios and producers for distribution of the movies via video tape cassettes.** Currently records German language films onto cassettes and sells them through its organization of 40 agents to TV and radio specialty stores throughout Germany. Firm was established 1979, has 5 employees. Horst W. Kruessmann, Attorney at Law, c/o GFV—Gesellschaft fuer-Filmverwertung mbF Fuerstenwal 35, 4000 Duesseldorf, West Germany. Tel. 211-305041; telex 8588627.

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Firm interested in establishing a licensing/cooperation agreement with a U.S. firm for **printing and publishing.** Company currently publishes books relating to art, architecture, music, theater, biographies, natural history and quality illustrations. Listing of titles and rights available in the U.S. is available from the Office of Export Marketing Assistance, Room 4036, U.S. Department of Commerce, Washington, D.C. 20230. Michael Maegraith, Managing Editor, Chr. Belser AG, fuer Verlagsgeschaefte & Co. KG, Stuttgart-Zurich, Falkertstr. 13, D-7000 Stuttgart 1; tel. 0011-49711-221359; telex 722 334.

A well-known construction and engineering firm for pipe lines and vessels seeks license for the **production of elbows, insulated connections and small and medium-sized process vessels.** Established 1924, employs 270. Mr. Pape, Manager, Westdeutsche Schweisswerke & Rohrleitungsbau GmbH, Ruhrorter Str. 112, Postfach 140156, 4330 Muelheim/Ruhr, West Germany. Tel. 0208/53011; telex: 0856742.

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Seeks **new technology,** other than combustion, for the **recovery of silver** from discarded **film and other photo materials,** especially x-ray films. Established 1970, is currently in this line of work. Nom Berg, Manager, K. Schroler GmbH, Schloss Str. 27, 4330 Muelheim/Ruhr, West Germany. Tel. 0208-474368.

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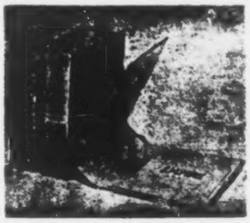

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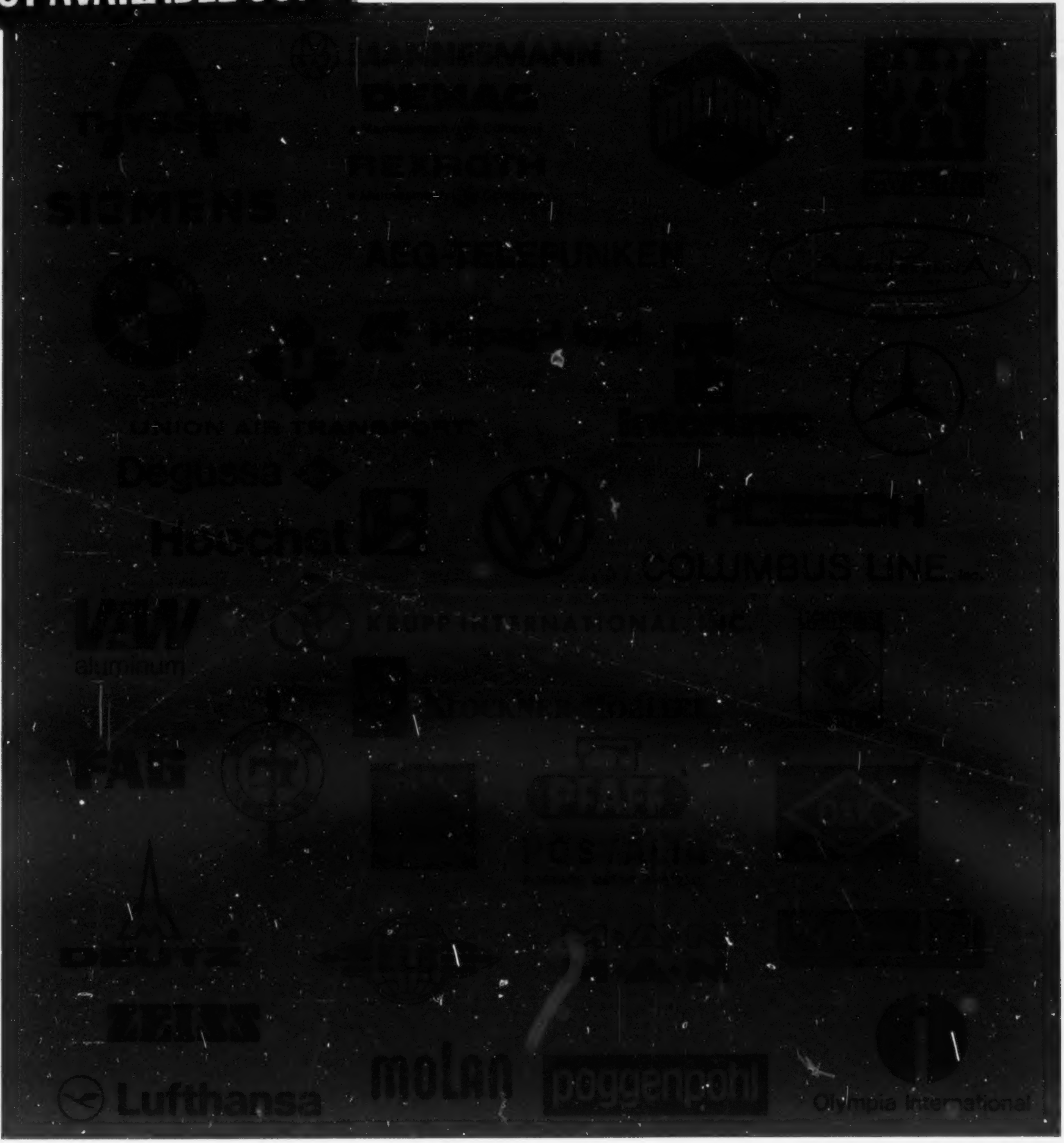
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SEPTEMBER—OCTOBER 1980

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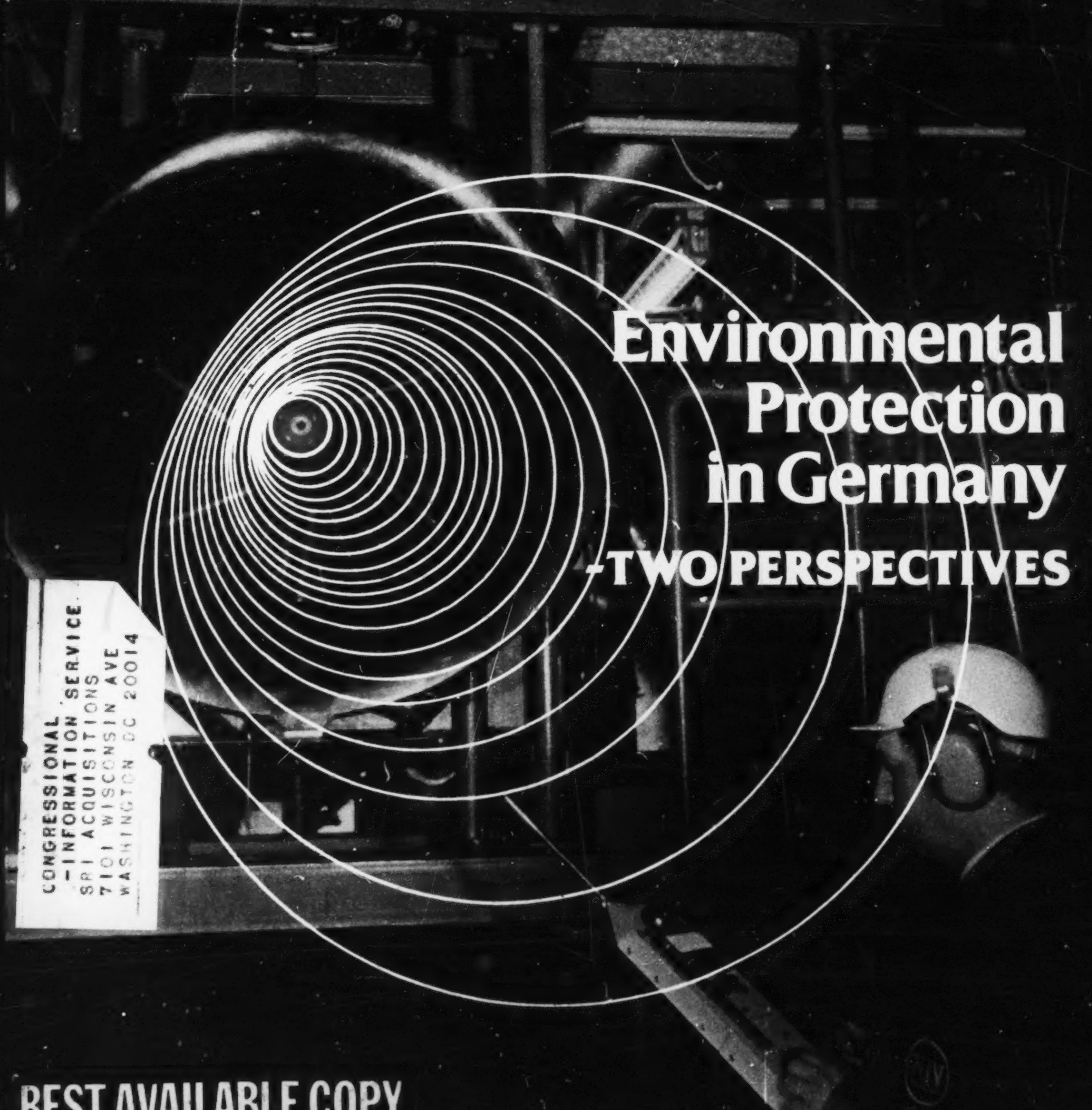
-TWO PERSPECTIVES



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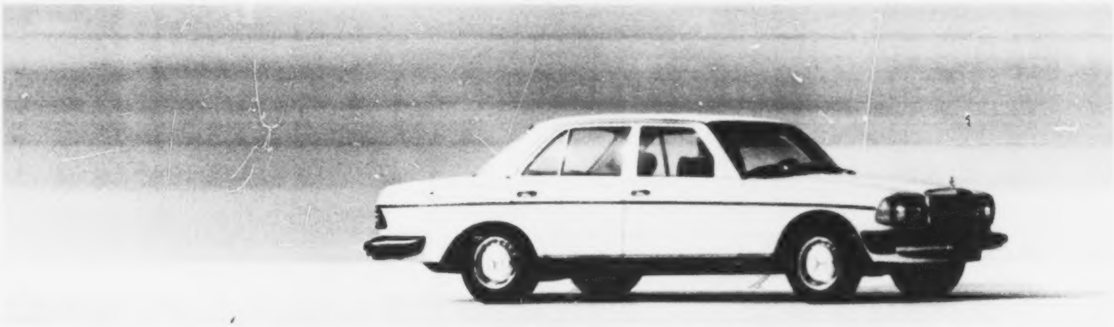

The Mercedes-Benz 240 Diesel-the $18,000* car that puts you not in the lap of luxury, but in the hands of science.

Luxury trappings can't cut running costs or prolong car life or make driving safer. Technology can—as witness the 240 D, a 1½-ton mobile efficiency system that works tirelessly to justify its price.

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Yet it needs not eight cylinders but four, not 300 cubic inches but 146, no conventional tune-ups, and no gasoline.

More efficient than your foot

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The 240 D cradles its five occupants and 12.57 cubic feet of luggage within a mass far leaner and lighter than even downsized domestic luxury diesels. Another case of zero excess.

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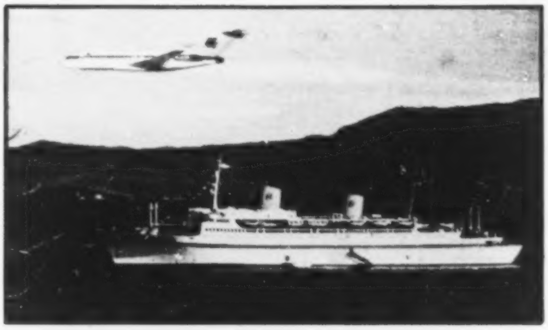

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VOL. 34 NO. 5 SEPTEMBER/OCTOBER

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Chamber Commentary

American graffiti

An anonymous intellectual once inscribed a piece of metaphysical graffiti on a wall near Harvard University to the effect that "time is the only thing that prevents everything from happening at once." Obviously, the nameless author cannot be called to account for an empirical proof of the conundrum he posited. A good thing too, for a great deal seems to be happening all at once on the international economic and financial scene, and the clock continues to tick away.

The United States has finally experienced a recession whose late arrival has severely embarassed a host of economic forecasters. With many analysts predicting a flacid recovery from the bottom (the so-called "L" curve), it remains to be seen whether anemic business activity here will deprive Europe's flagging economies of needed demand at a crucial juncture. No country in Europe will be more vitally interested in the outcome than Germany where forecasts for next year hover at real growth of around 1.0 percent, a modest expectation whose fulfillment will permit few unpleasant surprises.

Also, for the first time in fifteen years, the Federal Republic is experiencing some serious balance-of-payments problems. The comfortable safety net traditionally provided by its foreign trade surplus is shrinking to the vanishing point, due largely—though not exclusively—to the soaring cost of imported oil. The easy victories on this front have already been scored; from here on really hard work begins as Bonn attempts to arrest and reduce the projected current-account deficit of DM 25 billion.

Another ominous note is resurfacing as a chorus of anxiety questions the ability of the international banking system to recycle OPEC's burgeoning surplus of petrodollars. With the price of oil up 22 percent since the beginning of the year, OPEC will generate surpluses estimated at more than $120 billion in 1980. The private banks have reached their lending limits with most of the LDC's, and they are not—and should not be—in the business of making soft loans.

The war between Iran and Iraq has again demonstrated that volatility in the Middle East is not solely a factor of Israeli-Arab relations. It has also killed the hope that the prevailing oil glut would produce price moderation in the coming year. By depriving the market of 3.5 million barrels a day, the conflict has wiped out the supply surplus that was estimated at 2.5 million barrels a day over demand and given new impetus for price increases.

This brief list includes but a few of the potential problems summoning on the horizon. Tenacity, vision and imagination will be required to overcome them, and perhaps a bit of good fortune too. But, as an American baseball executive once observed, luck is the residue of design—for planners and diplomats as well as athletes.

Trade Fairs

DUSSELDORFER MESSEN

Mining in Dusseldorf

BERGBAU 81, to be held at Dusseldorf, West Germany, June 11–17, 1981 will be the largest and most comprehensive mining technology exposition ever staged. This international fair will be important to anyone involved with mining, ocean mining, drilling and tunneling, either on an industrial or government basis.

More than 600 exhibitors from over 25 nations will demonstrate their equipment, processes and services. Every aspect of mining, drilling, material handling and transport will be covered in 30 exhibitor categories, including: boring and sinking; drilling and heading; tunneling; coal mining; coal crushing; surface mining; ocean mining/off-shore exploration; deep well drilling; and drilling for oil and natural gas.

Complete systems and equipment will be presented at BERGBAU 81, as well as mining accessories, supplies and materials. In addition, specialized mining and tunneling contractors and consulting/engineering firms will demontrate their expertise and capabilities in providing full engineering support in setting up complete mining and processing operations.

Over 100,000 visitors from all over the world will attend the six-day international exposition and congress. The visitors will represent a high level international audience made up of industry executives, purchasing agents, government (state and national) officials, researchers and scientists who will come to Dusseldorf to seek solutions to current and long-range resource problems.

BERGBAU 81 is the international trade fair for mining held every five years at Dusseldorf's spacious fairgrounds which consist of 14 separate buildings with over 1.5 million square feet of modern, air-conditioned exhibit space. It will provide a forum for introducing technology, discussing innovations and making investment decisions. The Fair will be the most complete presentation of mining equipment, services, related products and technology ever at one location. It will be of direct interest to prospecting/exploration and mining companies.

BERGBAU 81 also affords the one opportunity every five years to meet with specialists and leading authorites in the mining field from all over the world. The chance to exchange ideas with the world's leading authorities and to compare technology and new developments provides a unique educational experience.

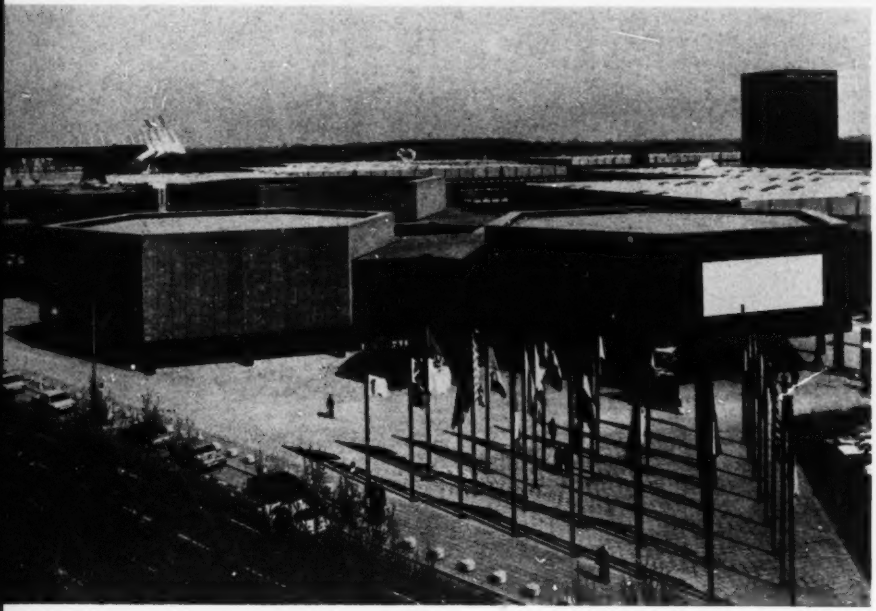
Dusseldorf is a major European commercial center located on the Rhine in west central Germany about 30 miles from Cologne. Several airlines offer direct flights to both Dusseldorf and Cologne. The fairgrounds can be reached in seven minutes (by taxi) from Dusseldorf airport. Dusseldorf is also easily accessible from London or Paris, which are only one hour away.

Several U.S. and Canadian trade associations are arranging group tour plans which offer air travel and hotel accommodations at substantially reduced rates. More information about BERGBAU 81 can be obtained by contacting the German American Chamber of Commerce in New York City and Contracts International Company in Canada.

Interpack 81

Every three years, the international packaging industry meets at Dusseldorf, West Germany for INTERPACK, the world's largest packaging exposition. Over 130,000 visitors representing more than 100 different nations, attended INTERPACK 78 held in May, 1978. Approximately 8,000 visitors from the U.S. and Canada participated in this important international event. Total attendance at INTERPACK 81 is expected to reach 150,000 visitors.

INTERPACK 81 will include more than 1,500 exhibits which will be presented by just about every modern nation in the world. The modern Dusseldorf Fairgrounds which consist of 14 separate exhibit halls, containing over 1.5 million square feet of enclosed, air-conditioned exhibit space, will again be used to capacity. Large temporary pavilions are now being constructed to accommodate the unusual demands for additional space. As a result, during INTERPACK 81 more exhibitors will use temporary and outdoor pavilions than ever before. Since the last INTERPACK, there have been many major developments in packaging technology. These will all be presented at INTERPACK 81 and will represent the latest advances in technology as developed by every modern nation in the world.



Interpack 81 will bring together at one location every important packaging development in an operational, ready-to-use form. There will be more than 750 machinery exhibitions which will in most cases demonstrate operating equipment under actual production conditions where performance and production results can be studied. Automated systems will be operated which will require almost the full length of a single building. Large two-and three-story high processing systems will also be installed and operated. The equipment demonstrated will represent every aspect of consumer and industrial packaging, including container fabricating machinery as well as measuring, weighing, counting, sorting, loading, packing, filling, capping and sealing equipment.

In the industrial packaging area, large blow molding systems that can produce 250-gallon drums used for industrial chemicals will be demonstrated. Other modern industrial packaging and warehousing equipment, such as pelletizing, wrapping, crating, bulk handling and conveying will also be on hand.

The automatic loading and filling systems on display will also cover the wide range of product categories, such as foods, beverages, confectionery, baked goods, household chemicals, pharmaceuticals, cosmetics and others. Two entire buildings are designated for confectionery and food equipment and materials. Many developments in the area of form, fill and seal equipment and materials will be shown. These combine the package making and product loading function in one complete high speed, automatic system.

INTERPACK 81 will be a tomorrowland of packaging and each aisle will generate new concepts and ideas that have real application in today's fast moving and highly demanding packaging industry. INTERPACK 81 offers a unique educational experience to anyone either directly or indirectly involved with packaging.

It also provides the opportunity to inspect, review, compare and discuss terms directly with the executive staffs of the exhibiting companies. Nearly all of the exhibitors will have on hand their technical and administrative staffs and will be fully prepared to finalize agreements.

To obtain more details regarding INTERPACK 81, including a list of group tour plans, contact the German American Chamber of Commerce, 666 Fifth Avenue., New York, New York 10019, telephone number (212) 974-8830

Photokina

At the end of its seven-day run the 16th Cologne photokina—World's Fair of Photography—Photo . Cine . Audiovision - closed its doors with satisfactory to very good results for the 1,105 exhibiting firms from 32 countries. Results were largely up to and in some cases even exceeded exhibitors' expectations. This applied not only to the further improvement in the standard of international trade attendance over previous fairs and to the large number of new business ties initiated but also to the flow of orders.

There were 121,000 trade visitors from 116 countries, corresponding to attendance at the previous photokina two years ago. A slight rise was noted in foreign attendance with 38,000 buyers and dealers. One visitor in every three at photokina came from abroad. The Exhibitions of Photographs and Film Shows in the Cologne Kunsthalle building, which are to remain open up to and including Sunday, September 28, were visited in the first seven days by 37,000 people interested in photography and cinematography.

The 1980 photokina, which was opened by Dr. Otto Graf Lambsdorff, Federal Minister of Economics, and by F.W. Rabenschlag, chairman of the Verband der Deutschen Photographischen Industrie (German Photographic Industry Association), was the biggest event in the thirty years' history of the World's Fair of Photography. It presented the products of 1,105 firms from 33 nations on a floor space of 1,312,720 sq. ft. (122,000 sq. metres). This total included 436 direct exhibitors and another 12 represented firms from the Federal Republic of Germany, two foreign trade organizations from the GDR (German Democratic Republic) as well as 636 direct exhibitors and a further 19 represented firms from other nations.

The next and 17th Cologne photokina—World's Fair of Photography—Photo . Cine . Audiovision—is to be held in Cologne from Tuesday, 5th to Sunday, 10th October, 1982. ■

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Toxic Substances Legislation: New Complications for the German and U.S. Chemical Industries

Karl A. Hochschwender

On June 25, 1980, the German Bundestag adopted the Law for Protection against Dangerous Substances (Gesetz zum Schutz vor gefaehrlichen Stoffen) after nearly two years of deliberation. Approved by the Bundesrat on July 18, it will probably become better known under the short title of "Chemikaliengesetz" or "ChemG". With the enactment of this law, which will take effect on January 1, 1982, the Federal Republic of Germany has joined the growing number of nations in the industrialized free world where the chemical industry is increasingly being brought under regulation by this kind of legislation to protect human health and the environment from the damaging effects of dangerous substances. ChemG was hailed in some circles of government and the press as "the strongest and most progressive chemical notification and control law in the world".

The primary impulse for the enactment of ChemG in its final form was the need to implement a directive of the Council of the European Communities known as the "6th Amendment".[1]Most of the other EC members must still implement the 6th Amendment by national legislation before the deadline of September 18, 1981. Actually, legislative activity to identify and control toxic substances started to pick up momentum in the early Seventies. Japan enacted its Chemical Substances Control Act in 1973. Switzerland, Sweden and Canada passed laws of more limited scope in 1969, 1973 and 1974, respectively. In the U.S.A., the Toxic Substances Control Act (TSCA) was signed into law by President Ford on October 11, 1976; deliberations in Congress had started as early as 1974.

Hoechst AG main production site astride the Main River in Frankfurt.

This proliferation of toxic substances legislation was the response to a growing public awareness of hazards associated with chemicals. That awareness was being nourished by at least three kinds of interrelated developments which were more or less apparent in all of the affected countries. First, there were some well publicized incidents and discoveries which highlighted the alleged toxic effects of certain chemicals. For instance, in 1974 angiosarcoma, a rare form of liver cancer was associated with the inhalation of vinyl chloride monomer, the raw material in polyvinyl chloride, a widely used plastic resin; the Kepone incident in Hopewell, Virginia made headlines in 1976; in the same year, the accidental release of a highly toxic chemical caused the evacuation of the town of Seveso in Northern Italy. Secondly, more and more chemicals were being subjected to toxicological testing, the test methods were becoming increasingly sensitive and sophisticated, par-

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Storage and disposal of toxic chemicals has been a major problem in the U.S.

ticularly those for the detection of carcinogenicity, mutagenicity, etc. with the result that a growing number of chemicals were being suspected of presenting a risk of injury to human health or the environment. Thirdly, consumer and environmentalist public interest groups, at a time when they were becoming stronger and more effective in their lobbying efforts, were increasingly devoting their attention to health and environmental hazards associated with chemicals.

Implications for the industry

If all of this legislative activity fulfills the hopes and aspirations of its originators, it will provide a new kind of protection for the health of workers, consumers and the public at large as well as for the quality of the environment. Meanwhile, we are left with the question: what will be the effect on the industry which is being brought under regulation, and, what may be the consequences for patterns of business and trade in the broader sense? The primary purposes of toxic substances legislation are to identify dangerous substances and to bring their production, use, transport, handling and disposal under whatever controls are necessary to protect human health and the environment. In practical terms this means requiring the testing of chemicals and the collection of other relevant information to determine whatever dangerous characteristics they may have and how these characteristics may relate to human exposure, environmental fate, etc. It also means the imposition of concrete controls such as banning or limiting the production or use of dangerous substances, prescribing cautionary labeling, worker safety precautions, methods of disposal, etc.

More specifically, most of these laws require the testing of *new* substances, i.e., when they are first manufactured or put on the market. This requirement adds to the cost of development of new products. One reads in more and more annual reports and other public statements of chemical companies about the growing proportion of research and development costs devoted to safety testing. What effect these testing requirements will have on the rate of innovation has yet to determined. It remains to be seen whether small companies and small volume products will become the first casualties of these requirements. The central provisions of these laws also exact their tribute in company resources devoted to compliance.

To further complicate matters, the chemical companies of the leading industrial nations—exactly those/nations which have been enacting toxic substances legislation—engage in a significant amount of foreign trade and invest in production facilities in foreign countries. These companies are affected not only by the legislation in their home country, but also by that which applies in the countries of their major export markets and foreign investments. If the compliance requirements of toxic substances legislation in different countries are not the same, then the company which wants to export or invest abroad faces compounded difficulties. Relief from these difficulties can only come from some kind of international harmonization.

Although TSCA and ChemG have the same general ojectives, they establish different procedures to achieve them. The legislative history of the two laws suggests how these differences may have come about and at what points harmonization may be both desirable and possible. First, some general observations: TSCA is the older law and as such its legislative history shows little concern about the problems which confront companies when they must comply in more than one country. When Congress was drafting TSCA, only Japan had enacted legislation of corresponding scope and Europe was just beginning to consider the need for it. Perhaps Congress had the notion that the rest of the world should follow the U.S. example, although there is no direct evidence of this in the legislative history. As it turned out, Europe did not follow the U.S. example. The nine member nations of the European Communities had to face the question of harmonization at the outset to meet the requirements of Article 100 of the Treaty of Rome which establishes procedures to remove trade barriers within the Common Market. In so doing, they chose to develop a regulatory scheme which takes an approach different from TSCA in a number of key points. Since the EC member nations have already been through the exercise of harmonization among themselves, they will probably be less inclined to undo what has already been accomplished by making new concessions in an attempt to harmonize with the TSCA and the Chemical Substances Control Act of Japan.

Comparing TSCA and ChemG

Let us now examine some of the details. Both TSCA and ChemG have as their centerpiece the screening of new chemical substances. ChemG requires submission of notice to a yet to be designated government agency 45 days before the substance is introduced into commerce. TSCA requires notice to EPA 90 days before a new substance is manufactured for the first time; this time limit may be extended for as much as an additional 90 days.

Marinus van Roymerswaele

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Both laws treat importers the same as domestic manufacturers. A substance is new if it is not contained in an inventory of existing substances. The U.S. inventory containing about 54,000 substances has already been published. Europe will probably have a smaller inventory.

The real difference, however, comes with the information that is required to accompany the premanufacture or premarket notices, and with what happens after the information is received by the respective government agency. ChemG requires the submission of test data according to a "step-sequence" system which is specified by the 6th Amendment. All new substances must undergo a "base set" of tests for which the anticipated cost may range between $20,000 and $50,000; whenever quantities on the market reach 100 tons/year or a total of 500 tons, then further testing is required; when quantities reach 1,000 tons/year or a total of 5,000 tons, still more tests are required which may well exceed a total cost of 1 million dollars. There are certain exemptions to the notification requirements, including one for substances which are produced in quantities of less than 1 ton/year. TSCA has no such mandatory testing requirements. It is left up to the manufacturer or importer to determine what sort of testing is appropriate. However, EPA is empowered to prohibit or limit the production of the substance if it finds that the test data which were submitted are insufficient to evaluate health and environmental effects. Such action, in turn, is subject to judicial review.

It is too early to say how compatible these two systems will really be. The fairly rigid testing requirements of the 6th Amendment which ChemG implements are already a concession to the need for harmonization among the nine EC member states. One can well imagine the chaos which might result in the absence of this harmonization. Even under the 6th Amendment the national authorities where the notifications will be submitted are given some leeway to waive the information and testing requirements in the base set and step-sequence plan, or to require further information and tests earlier than the step-sequence plan provides. ChemG reconfirms this discretion for the competent administrative agency and grants the authority to take certain administrative measures when the risk of hazard is anticipated. In view of the possibility that national authorities may apply this discretion in different ways, one EC member country may be more attractive than another as a place to file premarket notices. The notification will then be valid in all EC member countries. Importers have a certain advantage over manufacturers, since they have a greater flexibility to select the country of notification by making it the place of their first importation.

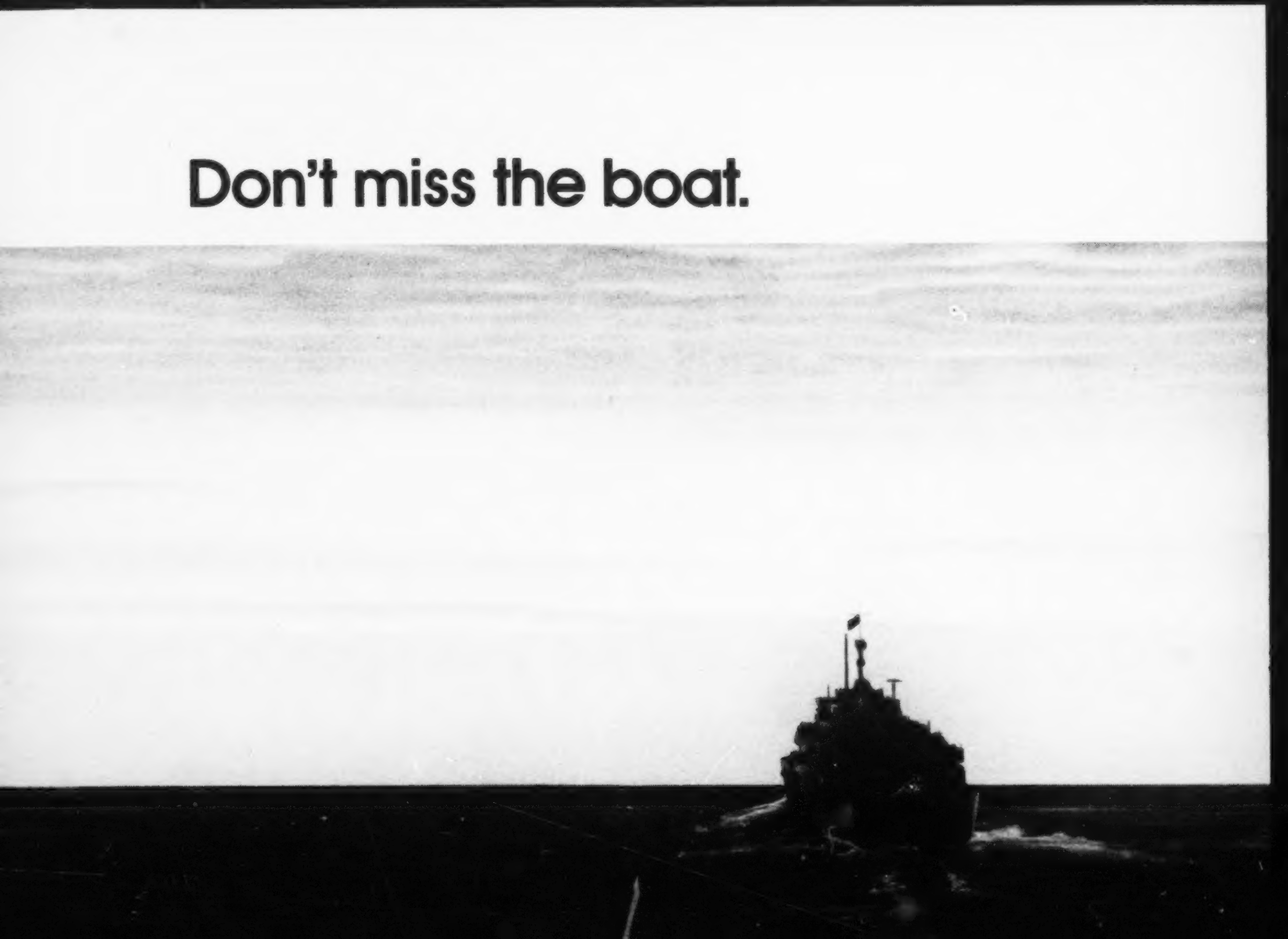
Treatment of confidential information derived from research has proved to be a stumbling block.

It is not yet clear how difficult it will be for companies to comply with the testing requirements of both ChemG and TSCA. EPA has announced that it is about to issue a policy notice endorsing the use of a minimum premarket data set which was developed by the Organization for Economic Cooperation and Development (OECD), whose members include the nine EC countries—Belgium, Denmark, France, the Federal Republic of Germany, Ireland, Italy, Luxembourg, The Netherlands, and the United Kingdom—plus Australia, Austria, Canada, Finland, Greece, Iceland, Japan, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and the United States. Adoption by the 24 OECD members of the minimum premarket data set together with testing protocols for over 100 chemicals will be a first major step toward harmonization in the area of testing and mutual acceptance of data. For the U.S. the EPA would virtually accept the base set as a minimum data requirement for premanufacture notification. Discussions are still under way about tiered testing requirements which might eventually bring EPA closer to adopting the step-sequence system of the 6th Amendment as part of a voluntary guideline.

Differing priorities and treatment

There are other aspects of the two notification schemes where the prospects for harmonization are less than promising. When it comes to making decisions on risks and benefits of chemicals which may result in the imposition of control measures, they are likely to be based on values and a sense of priority which differ from nation to nation. These decisions can be influenced by the local political climate, by the kind of pressure exercised by industry, and public interest groups, indeed by the ingrained attitudes of the responsible civil servants.

The treatment of confidential information is proving to be another stumbling block. TSCA in conjunction with the Freedom of Information Act reflects the prevailing attitude in the U.S. that most, if not all, data concerned with health and safety should be available to the general public. The 6th Amendment, and ChemG on the other hand, reflect the prevailing attitude in Europe that test data, except for the conclusions, should not be released to the public. EPA interprets the relevant provisions of TSCA, which are somewhat unclear, to mean that the chemical identity of a new substance must be released in conjunction with the submitted health and safety studies, while ChemG permits confidential treatment of chemical identity. The failure of one government to protect confidential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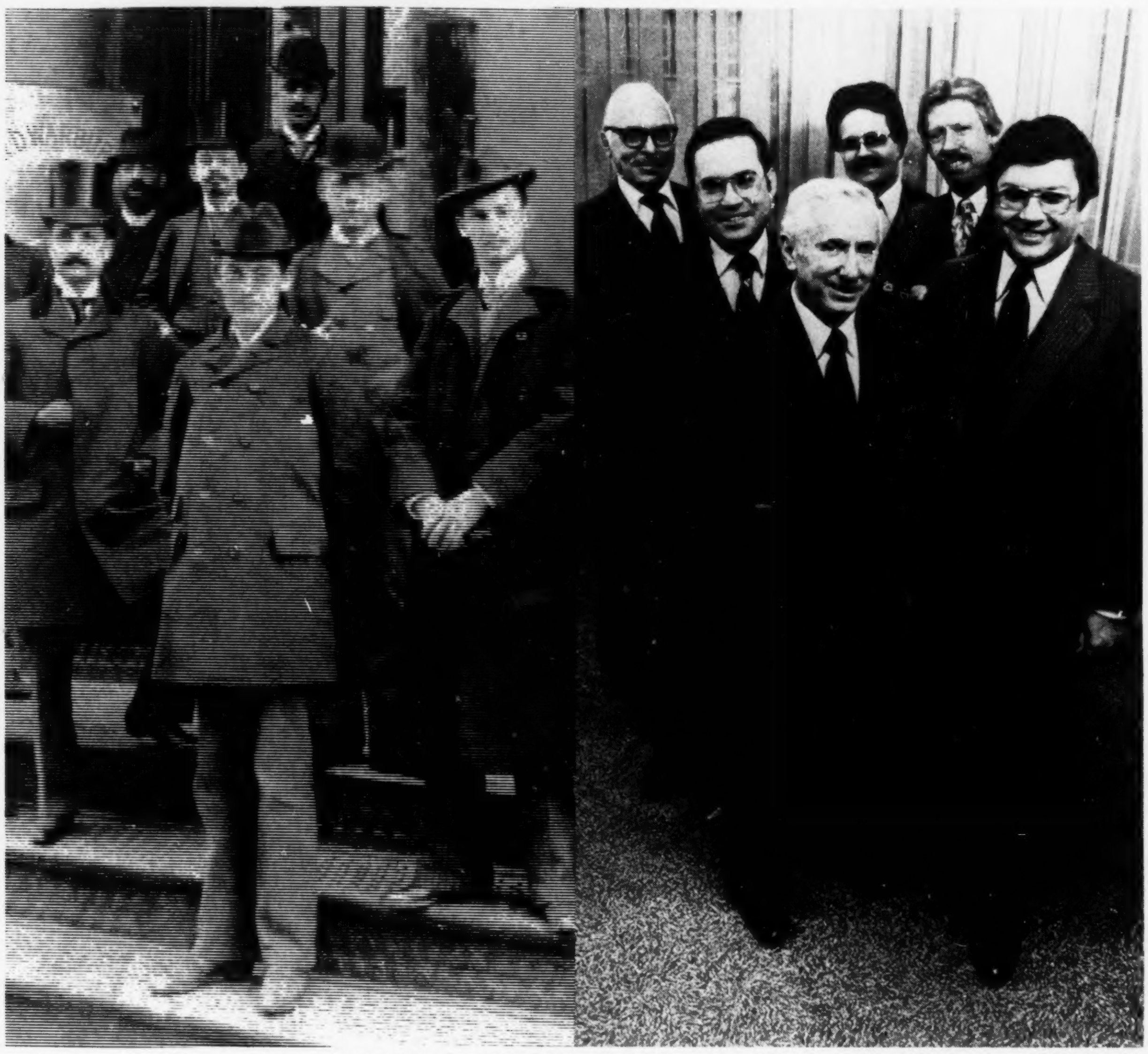

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information to the same degree as does a trading partner, may be the source of a non-tariff barrier, which will be difficult to overcome, national attitudes being what they are.

Finally, TSCA and the 6th Amendment differ in the way they treat the sharing of testing costs which arise in connection with the notification of new substances. TSCA does not require that the notifier be reimbursed by subsequent manufacturers and importers. The 6th Amendment and ChemG require that so-called second notifiers either repeat the tests or obtain permission from the original notifier to use his test data. Thus, the free ride offered by TSCA to importers of new substances which have already been notified, is not available in the EC countries.

Looking beyond the common centerpiece of new substances notification, we find some other points of difference between TSCA and ChemG which may suggest a potential for building future barriers. For one, TSCA provides for the testing of "old" substances according to a priority list which is being developed by an interagency Committee. The 6th Amendment does not provide for the testing of old chemicals. ChemG grants limited authority to the Federal Government to subject old substances to the notification requirements (including testing) if they are suspected of being hazardous.

Secondly, for the actual control of toxic substances TSCA provides a whole arsenal of measures ranging from total bans and restrictions on the production and use of chemicals to milder measures prescribing labeling, quality control or disposal. Both ChemG and the 6th Amendment put their emphasis on the classification, packaging and labeling of toxic substances. However, ChemG also grants to the Federal Government a general regulating authority to ban the production of use of hazardous substances when classification, packaging or labeling are not considered sufficient for the protection of human health and the environment. Measures taken under this authority must be issued as Federal Decrees subject to ratification by the upper chamber of the Federal Parliament (Bundesrat). Clearly, TSCA puts much greater emphasis on regulatory action and enforcement than does ChemG. It remains to be seen, whether this difference in statutory emphasis will be reflected in the approach which will be taken by the responsible administrators.

There is a limit to how much one can speculate about how TSCA and ChemG may become the source of new trade barriers between the U.S. and Germany. At present we have only very limited operating experience with TSCA. Some of the administrative and regulatory machinery still is not in place. The 6th Amendment will not be fully implemented by the EC member states much before the deadline of September 18, 1981. ChemG will not take effect until January 1, 1982. It will take quite a few years before we really know how well these laws are fulfilling the expectations of their originators and what sort of economic and structural effects they will have.

Meanwhile, the discussions on harmonization are well under way at OECD and first results are already before the member state governments for adoption. It must be recognized, however, that harmonization can progress only as rapidly as the prevailing sense of values and priorities in the participating nations will permit. These attitudes will be reflected in political alignments which can make or break the best intentioned efforts at harmonization. Still, let us hope that the experience gained through the actual operation of the major statutes to control toxic substances will show the way to satisfying their stated goals of protecting human health and the environment without sacrificing the benefits of the international movement of chemical products, investments and technology. ■

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[1] Council Directive of September 18, 1979, amending for the 6th time Directive 67/548/EEC concerning the approximation of the laws, regulations and administrative provision relating to the classification, packaging and labeling of dangerous substances (79/831/EEC), published in *Official Journal of the European Communities* (October 15, 1979).

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German-American Economic Review in Figures

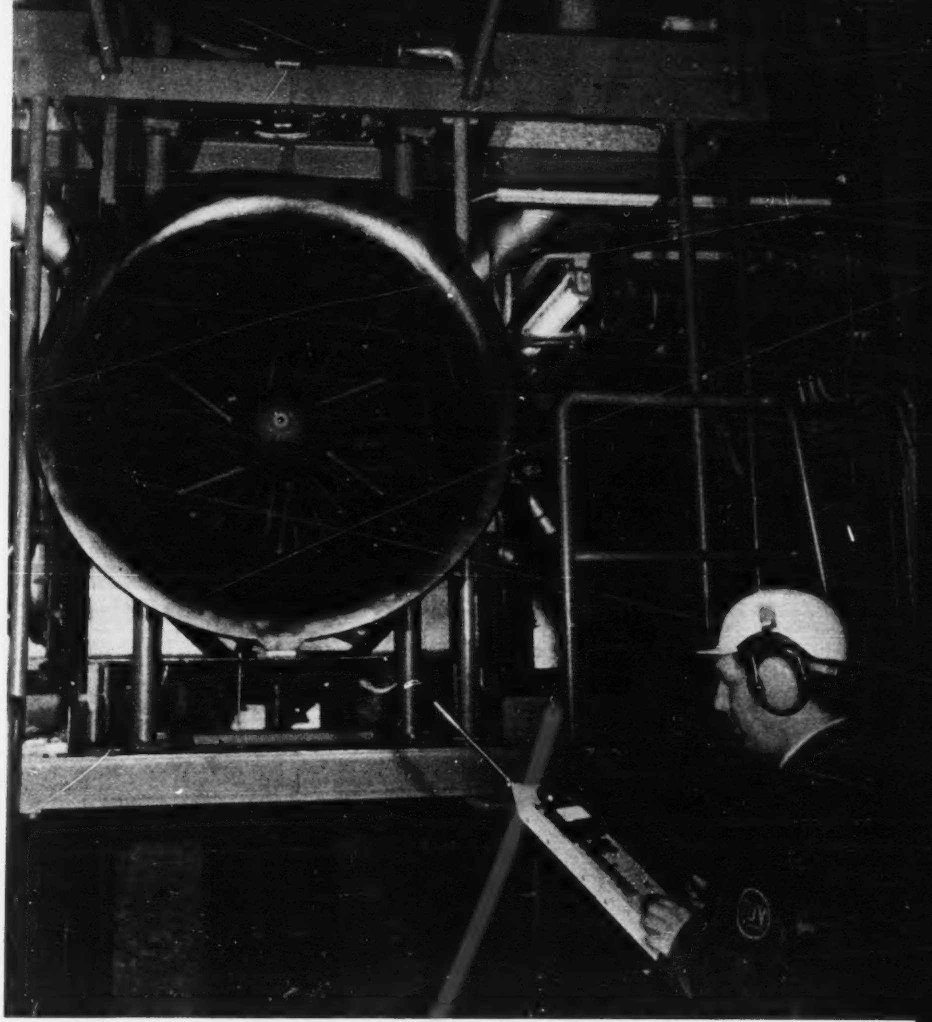
	Federal Republic of Germany					United States				
	1978	1979	1980			1978	1979	1980		
			Apr.	May	June			Apr.	May	June
FOREIGN TRADE (in mil.$)										
Imports	121,757	159,708	15,508	15,965	15,963	173,272	207,198	19,308	20,598	19,893
Exports	142,456	171,882	16,093	16,131	16,121	143,460	181,829	18,468	17,678	18,642
Balance on merchandise trade	20,699	12,175	585	166	158	−29,812	−25,369	−840	−2,850	−1,251
U.S.-GERMAN TRADE (in mil.$)										
U.S. imports from Germany	10,087	11,332	1,084	1,049	952	9,961	10,955	1,101	1,117	992
(+)(−) % from previous year	27.6	12.3	5.2	17.9	−2.1	38.1	10.0	12.1	19.0	−1.1
U.S. exports to Germany	8,725	11,080	1,198	1,241	1,241	6,815	8,272	1,003	887	934
(+)(−) % from previous year	18.9	27.0	42.3	36.6	49.1	17.0	21.4	58.5	33.6	46.9
Balance on U.S.-German trade	1,362	252	−114	−192	−289	−3,146	−2,683	−98	−230	−58
INDUSTRIAL PRODUCTION										
(+)(−) % from previous year	2.6	5.4	2.0	3.4	−1.9	5.7	4.2	−1.7	−5.3	−7.6
Iron and steel	5.8	9.0	−1.3	0.5	−3.3	9.5	0.0	−8.0	−15.6	−24.2
Machines, exc. elec.	0.2	4.8	5.1	8.2	1.6	7.5	6.5	0.9	−1.4	−4.4
Electrical machinery and equipment	1.1	1.3	8.0	7.5	2.5	8.7	9.8	3.9	−1.9	−4.7
Chemicals	5.2	6.7	−3.3	−2.1	−5.9	5.5	6.6	0.8	−4.7	−7.7
Road motor vehicles	2.3	7.5	−0.5	−1.6	−5.5	5.4	−5.8	−26.3	−39.7	−36.4
Textiles	−1.1	3.8	6.3	2.0	−4.1	2.1	4.6	−0.7	−4.3	−10.2
Apparel	−3.2	−0.1	−6.1	−7.9	−4.9	1.7	−2.6	−2.8	−1.1	—
LABOR MARKET										
Population (in mil.)	61.3	61.4	—	—	—	218.7	220.6	222.2	222.4	222.6
Civilian labor force (in 1000)	25,230	25,548	—	—	—	100,420	102,908	103,412	104,028	106,067
Unemployed (in 1000)	993	876	825	767	781	6,047	5,963	6,846	7,318	8,291
Unemployment rate (in %)	4.3	3.8	3.6	3.3	3.4	6.0	5.8	7.0	7.8	7.7
Gross hourly wages in manufacturing (in DM or $)	11.88	12.55	13.30	—	—	6.17	6.69	7.09	7.13	7.18
(+)(−) % from previous year	5.4	5.6	6.7	—	—	8.6	8.4	8.4	7.5	7.6
PRICES (+)(−) % from previous year										
Consumer Price Index	2.7	4.1	5.8	6.0	6.0	7.7	11.3	14.7	14.4	14.3
Producer prices for ind. products	1.2	4.8	8.4	8.2	7.8	7.3	12.9	18.2	17.1	16.7
CURRENCY EXCHANGE RATES (avg.)										
Value of $1.00 in DM	2.0084	1.8330	1.8728	1.7917	1.7671					
Value of DM 1.00 in $						0.4987	0.5456	0.5331	0.5583	0.5658

	1978	1979	1979-1980				1978	1979	1979-1980			
			III	IV	I	II			III	IV	I	II
NATIONAL ACCOUNTS												
Gross National Product at current prices (in bil. DM or $)	1,294	1,404	1,420	1,448	1,484	1,492	2,128	2,369	2,396	2,457	2,521	2,525
(+)(−) % from previous year, real terms	3.6	4.5	4.1	4.4	5.8	1.5	4.4	2.3	1.8	1.0	1.0	−0.8
Balance on current account (in mil. DM or $)	17,524	−10,142	−8,497	−1,480	−5,624	−6,615	−14,259	−788	1,099	−1,802	−2,635	−2,500
Monetary reserves (in mil. $)	57,818	60,455	60,209	60,455	53,351	57,241	18,650	18,930	18,540	18,930	21,450	21,920
Direct investment, cumulative at period end (in mil. DM or $)												
Direct investment abroad	58,193	66,002	—	66,002	—	70,816	167,804	192,648	192,648	—	—	—
—German investment in the U.S.	8,591	12,283	—	12,283	—	—						
—U.S. investment in Germany							12,731	13,530	—	13,530	—	—
Foreign direct investment	53,326	55,242	—	55,242	—	56,382	42,471	52,260	—	52,260	—	—
—U.S. investment in Germany	19,923	20,140	—	20,140	—	—						
—German investment in the U.S.							3,654	5,004	—	5,004	—	—

Sources: Statistisches Bundesamt
Deutsche Bundesbank
Bundesministerium fuer Wirtschaft
International Monetary Fund
U.S. Department of Commerce
U.S. Department of Labor
Federal Reserve System

Living With Less Noise

Technischer Ueberwachungsverein/ Rheinland (TÜV)



TÜV has done extensive research in monitoring and reducing noise pollution.

Call it ecology, environmental awareness or whatever you will, the fact is that governments throughout the industrialized world have become increasingly disturbed by the tangible health, social and economic costs of pollution in our modern technological societies. Despite a good record of strenuous efforts and multi-billion investments for improved environmental protection, the government in Bonn is determined to continue its campaign to neutralize or remove existing dangers to the environment and the eco-system as a whole. In August, Minister of the Interior Baum stressed that the government's environmental policies in the decade of the Eighties would find less expression in ambitious legislation than in the preceding ten years. Rather, he said, the legal framework already created should be refined and existing gaps closed as, for example, in the case of noise and waste removal. Experts in the Federal Office of Environment have named auto exhausts, dust, chemical emissions, water pollution, and traffic noise as the main threats to the environment.

There seems to be general agreement that German regulation of industry with regard to environmental restrictions is a small step below the level in the U.S. But there are different solutions to the pollution fight. Since 1971, when Germany adopted long-term environmental protection laws, it has prosecuted more than 3,000 violations of pollution rules. Pollution is a criminal offense and can carry a prison term of up to three years. For severe water polluters, for one example. Air and noise pollution are treated only a little less seriously. Deafness caused by noise is the most common occupational disease in Germany, ranking ahead of occupational cancers and bronchitis. Fortunately, technology is available to record and measure noise in the environment which may range from nuisance level to intolerable. The first draft of proposed legislation for a new bill on traffic-related noise and hearings in the upper house of the German parliament have again focused public attention on the problems associated with measuring and combating noise emitted from roads and highways. Cities, counties, regional authorities and highway departments share a mutual interest in coping with present or anticipated noise pollution problems. Their motives stem not from pure altruism but rather from the demands of outraged citizens living in apartments and homes near the sources of noise. It is critical to any solution to this problem that planning officials and experts "map out" the sources of noise pollution. Needless to say, high standards of accuracy are a necessary

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requirement in representing noise levels in the course of planning tactics and strategies for noise supression. The gradation of standard values, e.g., directional planning levels and the compensation values, in stages of five decibles requires results which are reliable within a range of ± 2 decibles. Noise propagation in densely populated areas encounters marked changes in the sound level even over short distances through the phenomena of multiple reflection and diffraction. These changes can only be represented on a map drawn to a scale of at least 1:5,000 or, better yet, 1:2,500, scales which permit an accurate representation of the structural detail of the affected area. If experts desire only one overview of noise emission from the streets and roads in a particular district, a scale of 1:10,000 can be employed.

In the draft of the legislation being considered to regulate noise disturbances in urban areas the interested layman will find descriptions of various means of taking and graphically representing a technical inventory of noise sources which are intended as a basis for planning. To be sure, the inventory itself hardly represents a solution. Rather it represents a storehouse of information and facts which are necessary for the planning process and a ready source of reference at each stage of planning.

The results of the inventory will be ideally stored in homogeneous form in a data bank. On the basis of these results a noise map can be drawn up. Naturally, some of the information derived from these tests must be omitted in order to maintain visual clarity and intelligibility of the map. Hence, the importance of the data bank in gathering and filing all information. In addition, output programs are necessary in order to make the statistics stored in the data bank useful and available for city planners. Taken together, the data bank and the output programs are designated as a "noise immission cadaster" (NIC).

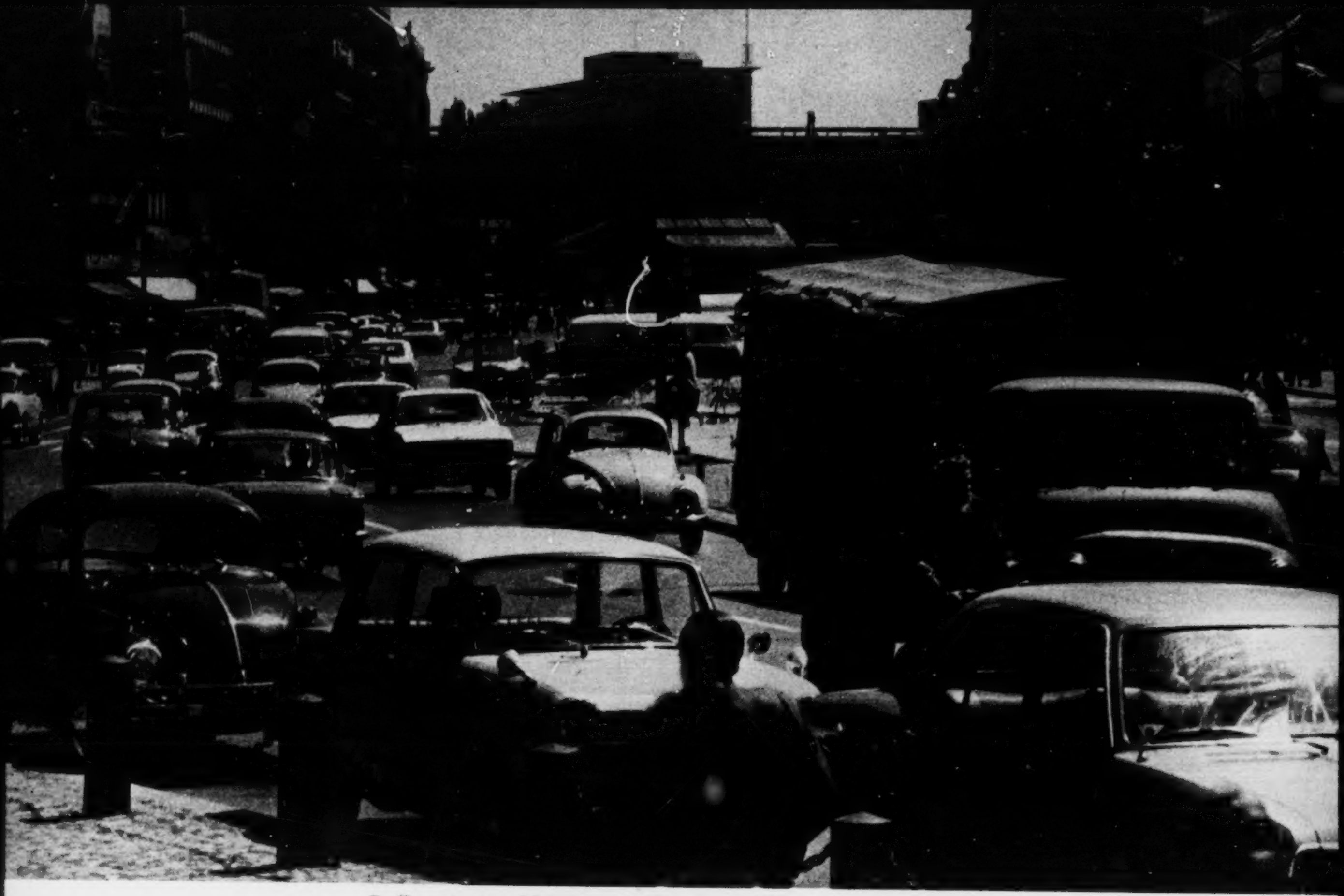
Mapping noise levels and sources

The NIC also contains the data found in a "noise emission cadaster" (NEC), namely a compilation of all noise sources with source strength, including acoustical power and the directional effect index. The NIC can be used either in the mandatory urban construction planning stage or in laying out traffic arteries, individual residential areas, or in preparations for site clearing. The NIC must contain the following if it is to be of use in urban planning:

- A breakdown of input data, e.g., traffic composition and density, which has been used in reaching a given technical conclusion.
- Figures and statistics on the share of various individual sources, e.g., individual streets, in the total level for a single immission site. Figures relating to a change of the total noise level as a factor of changes in the input data, as for example in the composition of traffic density.
- Prognoses concerning the anticipated noise situation through the simulation of planned, i.e., potential, noise sources, e.g., planned streets.
- Detailed forecasts which evaluate envisaged measures for suppressing noise (such as changing the sound level by raising the permitted height of buildings and other similar barriers).
- Swift adaptation of noise maps to changed conditions by altering the output data.

Industrial and traffic noise must be strictly separated and mapped, since experts insist that only analogous

In many major cities, people are forced to live shoulder-to-shoulder with industrial noise.



Traffic noise is public enemy No.1 as an offender against aural comfort.

noises can be added up in the simulated noise level in order to represent changes in the nuisance level. Accordingly, the possibility of preparing NIC's with the aid of measurements alone must be restricted to situations which are created exclusively by either traffic or industrial noise. In fact, experts are now contemplating separate sound maps to separate traffic noise into its two main sources: automotive and tracked vehicles (trolleys and railroads).

All street traffic, trolley and rail traffic, canal and river traffic, industrial and public utility installations and the like must be incorporated. On the other hand, noise whose impact is of short duration is excluded. Experience has shown that the main source of noise disturbances in cities emanates from vehicular traffic, particularly during peak traffic hours. Clearly, industrial noise represents something of an exception since it is generally confined to a limited area.

As a result of thinner traffic during the night hours, noise from street traffic declines sharply at night. Simultaneously, the nuisance level of noise from industrial installations actually increases, even if it remains constant, since the noise diffusion level becomes more favorable in that the background noise level (from traffic) declines. Hence, the impact area of industrial noise becomes greater during the night and early morning hours than during the day. Normally, then, urban planners prefer separate NIC's for traffic noises by day and night and for nighttime industrial noises.

The traffic noise situation in areas being planned and in the immediate vicinity of existing traffic arteries is largely determined by the computation of the immission level. This is possible because the regularity of noise emission from streets is empirically known and the physical laws which determine its diffusion can similarly be represented by means of computer programs.

Measurements for the determination of the immission status from traffic noises are therefore usually required only in order to monitor the computed data. They require a strong effort to encompass both meteorological and traffic conditions which obtained during the time of measurement. With the aid of the figures stored in the data bank, it is possible to calculate the diffusion of sound. TÜV, under a contract from the state of North Rhine-Westphalia, has developed data processing programs in which the noise screen, diffraction and reflection caused by buildings and topography for every single immission point can be incorporated with precise mathematical accuracy. Studies by the German Federal Highway Administration have confirmed that these programs incorporate the required narrow tolerance of ± decibles. This tolerance in effect corresponds to the inherent limitations of measurement technology. TÜV's programs are suitable for individual situations concerning measurements to counter noise as well as for the preparation of noise maps.

In order to compute the lines of the same noise level of traffic noises, a very large number of recording points are required, anywhere from approximately 500 to 10,000 per km . Noise maps, which have been put together on the basis of measurement values, require exactly the same number of measurement points in order to achieve the same standard of accuracy.

Industrial noises require a special approach. It is fundamental in this area that the very same recording methods be employed as in the preparation of NIC's for traffic noises. The first NIC to be produced should include a list of all noise sources in one area with the accompanying source strength, as well as its location, in a three-dimensional system of coordinates. In addition, the diffusion of emitted sound energy within a given time must be noted in order to be able to derive from the noise emission itself an immission from computing the missile oscillation. These data in turn permit the preparation of a laminar sound map, if, in addition, all parameters affecting noise diffusion—such as barrier shields, trees and shrubbery, structures and topography—are incorporated. Thus, the evaluation level of industrial noises can be determined with the same accuracy as that of traffic noises.

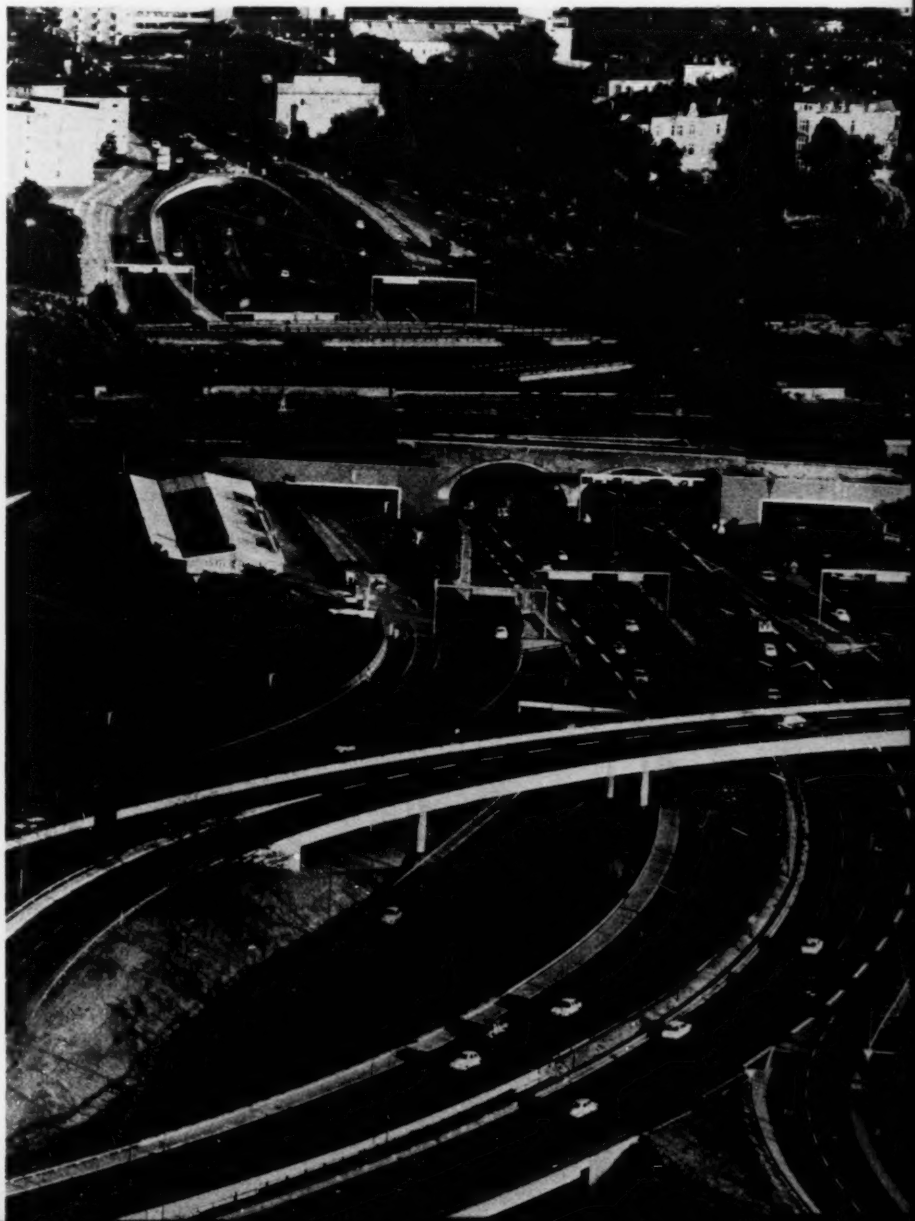
Due to the complexity of measurement procedures and the difficulty in gathering emissions data from very large industrial factories, the diminution of industrial noise levels is measured outside of the plants as an aid to analysis. Understandably, these data are only approximate and the isolines thus derived furnish only rough values; they will never achieve a level of accuracy which would be possible with an exact recording of emissions data.

Deviations from the norm

The purpose of a NIC for industrial noises is to determine their valuation level as it is stipulated by licensing and other administrative ordinances. An uninterrupted measurement during the evening and early morning hours from 11:00 p.m. to 6:00 a.m. will not generally yield a representative result for industrial noise. This qualification follows as a result of superimposed background and extraneous noise, incidental events, extraordinary conditions at the plant, and weather conditions during the measurement period. More accurate results, which will also sustain a critical examination for individual measuring points, can be obtained through very brief measurements taken under clearly defined weather conditions. In the state of North Rhine Westphalia it is customary to take measurements during the nighttime when there is only light cloud cover and a light tailwind: if the prevailing winds deviate from the direction of the tailwind, this factor can be taken into account in the subsequent evaluation by making allowances for the sound level.

Current investigations in the area of noise pollution have revealed that the sound level and the size of the affected area alone are insufficient in the decision-making process. It is equally important to have on hand a reasonably accurate estimate of the number of citizens likely to be affected in decisions concerning the priority of measures to reduce noise or the quality of architectual proposals for urban development. To be sure, there is some controversy as to whether it is even possible—and, if so, by what means—to determine the number of inhabitants of a given area who will in fact be victims of noise pollution; this is but one of several areas where research is likely to improve the quality of efforts to improve the aural comfort of urban dwellers.

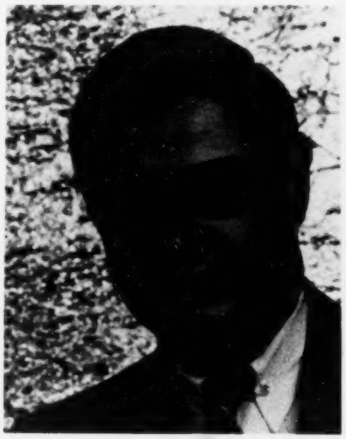
In the last analysis, noise cadasters will not make noise any quieter but they can become peace-makers if they are used properly. ■



Sales Representative Compensation Pay Under § 89 bHGB

(German Commercial Code)

Dr. Klaus H. Jander



In view of the fact that it is increasingly common for goods to be traded across international boundaries and for producers in one country to be reliant on independent sales representatives abroad for sale of their products in foreign markets, it seems appropriate, in respect to American-German commercial trade in particular, to take note of an important provision of German commercial law in effect since December 1, 1953 that is contained in HGB § 89b (German Commercial Code). This provision, like the corresponding provisions of Austrian and Swiss commercial law, shapes the relationship between principal and sales representatives in a manner that must necessarily be taken into consideration prior to entering into a contract.

The provisions of the German Commercial Code regarding the sales representative have been modified to a significant extent by the Revision Act of August 6, 1953.

The law places the contractual relationship between principal and sales representative on a basis of legal equality between the parties and freedom of contract. The law puts the sales representative in the position of an independent businessman bearing his own entrepreneurial risk. The particular emphasis on the sales representative's legal standing as an independent person in relation to his principal presents an enhanced degree of economic and social protection for the sales representative. However, the underlying contractual freedom is limited for the sales representative's benefit by a number of compulsory provisions. In interpreting and applying the law, it is essential always to concentrate on the content and nature of the contractual relationship with its mutual rights and duties.

Defining the terms

Under the legal definition of §84(1) HGB, a sales representative ("Handelsvertreter") is a person who is engaged as an independent party on a continuing basis to refer business transactions to another person or to enter into them in the name of such other person. The sales representative has a duty to his principal to make an ongoing effort in referring and entering into business transactions. He is required to act in the interest of his principal, and to follow the instructions of his principal, provided that such instructions do not impair the core element of legal independence of a sales representative. In deciding in a given case whether a sales representative relationship is present, only the overall character of the contractual arrangement and the way in which it is conducted in practice are decisive. A designation of the contract by the parties as an exclusive distributorship contract, an employment contract, or an agency contract is not determinative.

A sales representative differs from a broker in that the latter transacts business in another person's name without an ongoing contractual relationship. A commissioner, by contrast, transacts business for other persons in his own name. A commission agent, on the other hand, is a person who transacts business for other persons in his own name pursuant to an ongoing relationship. A distributor is a person who, on the basis of an ongoing contract, purchases goods and resells them in his own name and for his own account.

Despite the distinction between sales representative and commission agent or distributor, the contractual arrangement and the overall character of the relationship can be similar and they can approximate one another such that rules governing sales representatives are also applicable to commission agents or distributors.

A rather complex and extensive case law has developed with respect to the issue of the circumstances under which given rules of the HGB, which literally deal only with sales representatives, are also applicable to distributors. If for instance a distributor is involved in the distribution network of a business in such a way that he is required to take on com-

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mercial tasks not normally performed by a sales representative, this will be one but not the sole sufficient indication to the courts to treat him as a sales representative. The same applies if an exclusive territory is assigned to a distributor, and the distributor is required to make an increased effort to sell the goods and undertakes further obligations under his contract that normally apply to a sales representative but exceed the scope of the sales contract normally entered into by a distributor. A recent decision of the German Supreme Court (Bundesgerichtshof) of October 5, 1979, published in the "Betriebsberater" 1980, pages 12 and 13, focuses on the distributor's obligation to make available customer lists to the principal at the time of termination of the contractual relationship between the distributor and the principal. The court held if such a contractual obligation is spelled out in the distribution agreement and if the distributor is part of the distribution network of the principal, the distributor has the same right to compensation under HGB §89 as is provided for sales representatives.

A sales representative receives as compensation for his services commissions on all business transactions entered into and carried out during the term of his contract including both transactions with new customers and transactions with customers previously procured by him for his principal.

In addition thereto the sales representative receives commissions on business transactions which are carried out after the term of his contract has expired or terminated, if he has referred the business transactions or if he has prepared it in a manner that the conclusion of the transaction is mostly due to his efforts as long as the transaction has been concluded within an appropriate period of time after the term of his contract ended.

The amount of the commission is determined on the basis of an understanding arrived at beforehand, or else on the basis of usual rates. The principal is required to account to the sales representative for commissions due on a monthly basis. The accounting period can be extended up to a maximum of three months. The sales representative may also request information with respect to all circumstances affecting his right to a commission, the determination of when such commission falls due, and the method by which it is calculated.

Comparisons and contracts

Principal and sales representative have a common economic interest during the term in which the sales representative acts for the principal: the activities of both are directed toward obtaining new customers and increasing sales. The task of a sales representative consists in creating the basis for an ongoing and lively business relation with new customers, and in broadening the scope of relations with old customers. Both the list of regular customers procured and served by the trade representative and the goodwill created by such a list of regular customers are assets that are of considerable utility and importance for the business of the principal. Upon termination of the contractual relationship, these assets remain with the principal, who then reaps the sole and exclusive economic benefit from them and derives advantages from the previous successfully performed labors of the sales representative.

By contrast, the sales representative loses upon termination of the contractual relationship his rights to commissions that he would have received without any further work on his part if the contractual relationship had been continued, particularly commissions on subsequent orders by customers procured by him.

In order to alleviate this unfairness and to create a measure of equality with respect to original effort, success, and long-range advantage of both parties to the contract, the legislature in Germany introduced §89b HGB mentioned above, which extends to sales representatives in such cases a right to an appropriate compensation pursuant to Section 89b of the HGB (hereafter sometimes referred to as "Compensation" or "Section 89b Compensation"). This right to such compensation is a contractual right of the sales representative deriving from his already terminated sales representative contract. The Section 89b compensation is calculated as additional consideration and further remuneration on the part of the principal for the services of the sales representative performed in the past, since these services are not fully balanced out and compensated by commission payments alone.

A right to Section 89b compensation exists when all of the following conditions have been met:

First, the contractual relationship between the principal and the sales representative must have been terminated in accordance with the law. It does not matter what reasons have led to the termination of the contractual relationship. Accordingly, the right arises upon termination of the sales representative's contract unilaterally, either by the serving of notice or immediately for good cause, or by mutual agreement of the parties, or upon expiration or the happening of a conditon subsequent, or by death or bankruptcy of the principal or death or incapacity of the sales representative.

The right to Section 89b compensation is by law inapplicable, however, if the sales representative himself terminates the contract without cause based on conduct of his principal, or if the principal terminates the contract for material cause based on culpable conduct of the sales representative. Conduct of the principal includes actions of all kinds and is not necessarily limited to actions that constitute a breach of contract or are otherwise culpable. Whenever conduct of the principal in this broad sense causes the continuation of the contractual relationship to seem unjustifiable from the standpoint of the sales representative, or inhibits under principles of fair dealing any further productive cooperation, cause for termination exists and the compensation can be claimed. By contrast, only if the principal terminates for material cause in case of culpable conduct of the sales representative Section 89b compensation of the sales representative is excluded.

Secondly, the principal must derive substantial benefits from the ongoing business relationship with new customers procured by the sales representative. The single decisive factor here is whether the principal benefits from further ongoing sales opportunities and other substantial economic advantages that derive from the solicitation of the sales representative. For this purpose, significant expansion of previously existing business contacts is equivalent to solicitation of new customers or establishment of new business relations.

Thirdly, the Section 89b compensation must also be fair and reasonable. In determining fairness in this sense, the total contractual relationship is to be evaluated in terms of its essential purpose and its content including all reasons for its termination. The respective advantages and disadvantages to the sales representative and the principal are to be compared and contrasted, and a determination is to be made as to whether, when all these factors are taken into account, an award of compensation is fair, and if so, in what amount.

Determining compensation

The calculation of the Section 89b compensation is based on the result of this evaluation of advantages and disadvantages. Into this calculation comes a prediction of the future based on testimony of the parties, experience in general, and knowledge of customary trade practices. The point of departure for the calculation is normally the amount last earned by the sales representative stated in terms only of gross commissions containing the statutory value-added tax. Sales promotion expenditures of the principal are, as a rule, already included in the calculation of the commission to be paid to the sales representative, and therefore normally do not result in a reduction in the compensation claim. The same applies to expenditures and costs of the sales representative. The contrary rule applies, however, to payments for storage and delivery of goods out of storage.

The law places an upper limit on Section 89b compensation, amounting to average annual commissions received by the sales representative from the principal over the last five years, or, in case of a contract of shorter duration, over the length of the contract. The result established in this manner is then finally examined in respect to whether, when all factors are considered, it is economically reasonable and justified.

During the course of a trade representative relationship subject to German law, the right to Section 89b compensation cannot be excluded by agreement between principal and sales representative. Any such agreement is void and does not prevent the right from arising. Agreements with respect to this right that are concluded at the time of, or subsequent to, termination, are, however, effective. Agreements that simultaneously terminate the sales representative contract and exclude the right to Section 89b compensation are also effective, provided that the termination of the contract and exclusion of the right to such compensation take effect at the same point in time. Agreements between the principal and the trade representative by which the principal's Section 89b compensation obligation is to be fulfilled entirely, or for a certain period of time, prior to the termination of the trade representative contract, are also permissible. This is ordinarily effected by means of a payment over and above the standard commission that is credited in the final payment. It is also possible, with approval of a predecessor representative, to pass on the compensation rights under HGB § 89b to a successor.

Other rules may apply, however, in the case of sales representative relationships that extend over international boundaries and contracts entered into by domestic and foreign principals and sales representatives.

In all these cases the questions of applicable law have to be clearly separated from questions concerning which of the applicable law provisions are compulsary non-waivable provisions and which are subject to possible waiver by one of the parties.

Application in the U.S.

As a general rule, in a contract between a German principal and an American sales representative, where nothing specific to the contrary is provided or established clearly in the course of dealing between the parties, American law applies, because the American sales representative is to perform and fulfill his contractual duties in the United States. As a result, the right to HGB §89b compensation does not exist.

In the event that the contract between a German principal and an American sales representative is governed by law by reason of an express or tacit agreement of the parties, the HGB applies with the peculiarity that all of its provisions are subject to waiver. This means that it is up to the parties to include in the contract a provision as to the sales representative's right to Section 89b compensation.

In the event that an American principal enters into a contract with a sales representative whose principal place of business is in Germany, the parties are not thereby prevented from agreeing that it be governed by American law. The fact that American commercial law does not contain a statutory right to Section 89b compensation or any corresponding provisions for the benefit of the sales representative does not stand in the way of such an agreement.

In the absence of an express or tacit agreement among the parties that US law shall apply, the contract between an American principal and a German sales representative will ordinarily be governed by German law by virtue of the fact that it is to be performed primarily in Germany and the center of gravity of the contractual relationship lies in Germany. In such a particular case the application of §89b HGB is compulsory. In this case the German sales representative has a right to Section 89b compensation from the American principal.

The sales representative must claim his right to Section 89b compensation and notify his principal thereof clearly and unmistakably no later than three months after termination of the contract. The notice of the claim need not be in any particular form. A reference to legal rights is sufficient. No specific monetary amount need be stated.

The claim of the sales representative does not have any priority in case of a bankruptcy of the principal. On the other hand, the claim is not subject to statutory exemption as against creditors of the sales representative either.

The sales representative has an actionable claim. Claims deriving from the contractual relationship of the trade representative are tried before the Commercial Chamber of a

"Landgericht" (State-level court of original jurisdiction), if such court has jurisdiction by reason of the amount in controversy. The complaint may initially omit the amount of recovery sought, pending discovery.

With respect to the question of whether the principal enjoys substantial ongoing advantages from business connections, the burden of proof is on the sales representative. The sales representative is also required to present facts and offer documents demonstrating that his claim to compensation is justified, including amount to which he is entitled.

An American sales representative acting in the United States for a German principal should be aware of the rights and duties of principal and sales representative under German law when he enters into contract negotiations. The same applies to an American when he enters into contract negotiations. The same applies to an American principal who intends to enter into a contract with a German sales representative.

Moreover, any American principal selling goods in Germany through a German sales representative on the basis of German law is well advised to anticipate a claim to Section 89b compensation upon termination of the contract relationship and to take the necessary and appropriate measures at an early date. ■

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Useful Information for Business and Travel in Germany

1. K.O. Storck & Co., Hamburg, the special publisher of shipping directories (London Shipping Contacts and Shipping Contacts in all German Ports) has now released the 1980/81 edition of CONTAINER CONTACTS. CONTAINER CONTACTS gives you up-to-date information about all companies in West Europe engaged in container-business, names and addresses of container lines and their agents, leasing and trucking companies, terminals, operators, manufacturers, suppliers, repair and maintenance companies and surveyors. A list of owner codes enables you to identify each container in the world. A description of the container numbering and marking rounds out the directory. Easy-to-find information, revised every year, of address, telephone and telex numbers, managing directors and the names of the heads of the different departments. All is put together in a handy size book, tailor-made for your briefcase, glove box and office desk.

CONTAINER CONTACTS:
170 x 105mm / 448 pages / DM 16,— + postage
K.O. Storck & Co., Stahltwiete 7
D-2000 Hamburg 50, Telephone (040) 850 20 61

2. While in Germany, take advantage of the travel bargains offered by the German and European railroads. Railroad passes are available, exclusively for travelers from foreign countries, which allow unlimited travel for different time periods. The Germanrail Tourist Card enables you to travel within the Federal Republic of Germany for as little as $9.06 per day economy class or $12.50 per day first class. Compare the price of a 9-day Germanrail Tourist Card, first class $145.00 with a round trip ticket from Munich to Hamburg $157.00. The Eurailpass gives you access to 16 European countries. In addition to unlimited rail travel within almost all Western European countries, Eurailpass gives you the option of ferry boat rides. Cost for a 15-day Eurailpass: $210.00. These passes must be purchased prior to leaving the United States.

3. If you are planning an overseas trip, have some time to spare, and a specialty of interest to others, the U.S. International Communication Agency might consider turning you into a part-time diplomat. Each year the agency selects a number of American travelers with expertise in areas such as economics, political science, arts, humanities, science and technology to share their knowledge with foreigners in other countries. The government will pick up local expenses, pay a per diem and honorarium. However, travel expenses overseas are not usually paid. If you are interested, contact the Office of Program Coordination and Development, International Communication Agency, 1750 Pennsylvania Ave., N.W., Washington, D.C. 20547.

4. Regularly scheduled helicopter flights between midtown Manhattan and New York City's airports have been an on-again off-again business for many years. Originally, scheduled helicopter service to the airports was from the midtown Pan Am Building. The helicopters were popular with business travelers but not with local residents who complained about the noise and the possible risk. A tragic accident on the skyscraper's heliport some years back put a final end to service. Now a newly formed company, New York Helicopter Corp., has announced that it will start up service again between Manhattan and the three area airports - Kennedy International, LaGuardia and Newark about Oct. 1. The wrath of area residents should not be a problem this time. The helicopters will not over-fly the city as they will be using the 34th Street heliport on the East River.

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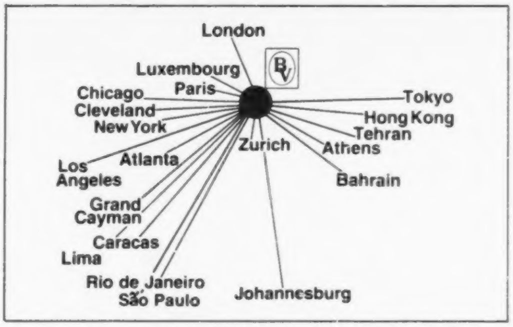

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Licenses and Investments

A consultant acting on behalf of a large German manufacturer of consumer and industrial electronic products, seeks licensing arrangements from U.S. manufacturers of **copperfoil for the production of integrated circuit boards.** The firm is also interested in purchasing quantities of copperfoil, copperfoil-producing machinery, equipment and know-how. Interested U.S. firms are requested to provide details on structure of company, trademark protection, production capacity, variations of copperfoil produced, and all pertinent information on their licensing conditions to: A. M. Heumann, Consult Inter A. Heumann, Uedesheimerstr. 13, 4047 Dormagen 5; tel. 2106-71639; telex 8517419.

Seeks either a licensing arrangement, cooperation agreement, or joint venture for the production and distribution of **instruments for quality and production control, as well as electronic therapeutic devices** such as IR, VHF and HF. With plans to expand, company has 40 employees. Established in 1976, firm has good reputation with the electronic and the electromedical supply industries. Mr. Goldschmidt, Itronic, D. J. Fuchs, Loerracher Strasse 29, D-7800 Freiburg; tel. 0011-49-761-494-141; telex 772 402.

Furnaces, which burn coal and coke with a graining size of 6-30mm, and are used to heat industrial plants, commercial enterprise and residential housing. Emil Schallenberg. Wilhelmstr. 265, 4530 Ibbenbuehren 1. Tel: 5451-3095.

Process for cleaning poultry feathers for bedding and quilts. The firm has invented a new chemical process in which waste water problem is solved. The feathers retain their high bulk and tufted state. Ernst Kruchen, c/o Kruchen, Betten, Bettwaren- und Bettfedernfabrik GmbH, Bahnhofstr. 48, 4404 Telgte. Tel: 2504-4024.

Seeks to **manufacture under license small precision parts** for joining, fastening and decorating in **metal and plastics** for the textile, leather and the automobile industry. Firm is manufacturer and distributor of plastic and metal precision parts. Established in 1876 with 320 employees and yearly sales of $19 million. Mr. Koch, Vice President, Schaeffer Homberg GmbH, Schuetzenstr. 23, 5600 Wuppertal—2, W. Germany. Tel. 202-518223; telex: 8591601; cable: Eshabe, Wuppertal-Barmen.

Seeks licenses for the production of **corrosion protective lubricants and other corrosion protective liquids and devices for the automobile industry. Also seeks new products and systems** in the fields of galvanization, automobile body construction, lacquering techniques, pressing techniques and welding systems. Firm, a manufacturer of flap-wheels, was established in 1959. Volkswagen in Wolfsburg is its main customer. Edgar Weinhold, Esener Str. 36A, D-5600 Wuppertal-Vohwinkel 1; tel. 2121-782706.

Firm seeks licensing arrangements for the production of **plastic parts** for the **machine tool** and **electrical machinery** industries. Company is a manufacturer of all kinds of plastic parts ranging from 10mm to 600mm. Established 1969, has 25 employees and yearly sales exceeding $1 million. B. Henderkott, Managing Director, Henderkott & Roecker, KG, Siegesstr. 122, Postfach 20184, 5600 Wuppertal 2, West Germany; tel. 202-596021; telex: 8591749.

Automotive sunroofs made of security glass, requirement per yr. for DM1 million approx. Quote f.o.b. U.S. harbor. Firm estab. 1978, employs 21, annual sales approx. DM 3.5 million. Fin. ref.: Stadtsparkasse Koeln. Reply to—Rolf Eiserfey, Geta Vertriebs GmbH, Vorgebirgsstr. 338, 5000 Koeln 51, W. Germany; tel. 221-3601603; telex: 8881252.

Interested in either licensing arrangement, cooperation agreement or joint venture for production and distribution of **label printing and punching machines and similar products.** Firm is a manufacturer of label printing and diecutting machines, slitting machines, sheet cutters, drying tunnels and a machine called VITESS—a high-speed label printing and punching press. Established in 1876, has 20 emplyees. Dieter Ernst, Business Manager, Kiess & Gerlach GmbH & Co., Gutenbergstrasse 66, D-7000 Stuttgart 1; tel. 0011-49-711-626988; telex 722-243; cable KAGEPRESS. Product literature available from Investment Advisory Staff, Office of Export Marketing Assistance, Department of Commerce, Room 4036, Washington, D.C. 20230.

Seeks licensing arrangements for the production of **flexible cords, wires, wire connectors** and **similar electric articles.** Firm has a well-established market share in this product line and believes U.S. technology for these products will be well received. Firm supplies mainly to wholesalers and industrial plants. Established in 1879, has 65 employees. Mr. Diederichs, Gustav Klauke GmbH & Co., Stephanstr. 30, 5630 Remscheid; tel. 2191-342031; telex 8513772.

Seeks licensing, cross-licensing arrangements for the production of**temperature controls, limiters, cut-outs and cut-ins and programmable logic controllers.** Firm is a well-established specialist for control gear engineering and supplies refineries, radio stations, water treatment plants and power stations. Established 1925, employs 2,000 with 100 offices throughout Germany. Heinz Golle, Metzenauer & Jung GmbH, Deutscher Ring 30-36, 5600 Wuppertal 1; tel. 202-7196249; telex: 8591717; cable: FANAL.

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Positions Wanted

International Business: German, single, completed first German law exam, and participant in work/study program of Carl Duisberg Society, currently studying business management at TCU, Fort Worth, seeks practical trainee position with international firm for a minimum of 1½ years. Available January 1, 1981. Contact: Christian Scheel, P.O. Box 29836, TCU, Fort Worth, TX 76129, tel.: (817) 921-0994.

Young German, (28), Diplom-Kaufmann (MBA), Carl-Duisberg-Participant, U.S.-work permit, former personal assistant to the Board of Directors of German chemical company, work experience in a CPA firm, in balance policy and public relations. For resume, contact: German American Trade News, Box 989, 666 Fifth Avenue, New York, NY 10103.

International Field/Import-Export: German, (mid-30s), U.S. resident, Europe/U.S. trained, self-starter, successful and diversified experience in supervisory capacity w/admin. and managerial duties, solid knowledge of business procedures covering variety of products/countries, good admin. skills, widely traveled, excellent organizer and coordinator, seeks interesting career opportunity leading to key position. German American Trade News, Box 990, 666 Fifth Avenue, New York, NY 10103.

General Management, German/American, MBA degree, many years indepth experience higher management (general mgmt., materials mgmt., technical operations) with multinationals in Germany, U.S. and Latin America. Successful record in cost cutting, start up, turn around situations. Since 1975 with corporation in electronics industry in Connecticut. Seeks position with U.S. subsidiary of German firm. German American Trade News, Box 991, 666 Fifth Avenue, New York, NY 10103.

Banker, (26), with several years of banking experience in Switzerland; languages —German, English, French, Spanish, seeks position in Commercial Banking as Management Trainee or as employee in the Commercial Clients Dept. For further details contact: Heinz Vetterli, P.O. Box 31928, Fort Worth, TX 76129, Tel.: (817) 923-8456.

General Manager, German national, U.S. resident, Ph.D. in Economics, trilingual (German/English/Spanish), with European industrial/business background in general management seeks new challenge. German American Trade News, Box 993, 666 Fifth Avenue, New York, NY 10103.

German, (26), with two years work experience as Industrial Management Trainee and German MBA degree—specialized in Accounting and General Management—seeks employment with German-American firm. Participant in a work-study program sponsored by the Carl Duisberg Society. Available January 1, 1981. Willing to travel and relocate. Contact: German American Trade News, Box 982, 666 Fifth Avenue, New York, NY 10103.

Data Processing Manager, (30), Austrian, MBA, specialized in organization, seeks new challenge in same or adjacent field. Extensive experience in implementation of accounting systems for leasing and distribution on minicomputers. English, German, French, Italian, Spanish. German American Trade News, Box 983, 666 Fifth Avenue, New York, NY 10103.

German Engineer, (Dipl. Ing. f. Verfahrenstechnik), (34), with experience in chem., pharm. industries and mining. Languages: English, Spanish and Portuguese (5 yrs. stay in Brazil), looking for appropriate position. German American Trade News, Box 984, 666 Fifth Avenue, New York, NY 10103.

International Banking/Trade: mature, ambitious 1980 college graduate (B.S./B.A. in Finance and International Management, Boston University) seeks position in German/American firm or bank. Overseas experience in sales and bookkeeping. Fluency in German, spoken and written. Please contact: Ronald Levi, 72-10 112th St., Forest Hills, NY 11375.

American Woman, (33), bilingual German, M.A., B.S., seeks growth position with U.S. subsidiary of German firm in financial and office management area. Work experience in U.S. and Germany—finance/office organization and management. Contact: German American Trade News, Box 985, 666 Fifth Avenue, New York, NY 10103.

General Manager: Executive managing German subsidiary in the U.S., seeks new challenge either in the U.S. or Europe for a U.S. or German company. Experienced background in importing, exporting, trade, manufacturing; special knowledge, sales, marketing, distribution and knowledge of finance or foreign investment. Fluent in both German and English. Offers to German American Trade News, Box 986, 666 Fifth Avenue, New York, NY 10103.

Translator (German, English, Spanish), University of Heidelberg graduate, seeks position in west-central Florida area; also free-lance assignments accepted. Contact: Elke G. Alcott, 216 10th Avenue, N.E., St. Petersburg, FL 33701

International Executive (Finance, Banking, Industry.) seeks challenging senior management position. More than 15 years (8 years U.S.) experience in corporate finance, investment banking, industrial project development. German Citizen, MBA, fluent English, German, good Portuguese, Spanish. German American Trade News, Box 987, 666 Fifth Avenue, New York, NY 10103.

German-American, mature and responsible; well-versed in Customer Service, Warehousing and Distribution. In present position responsible for Purchasing, Forecasting, Planning and Inventory Control. Would like to work for German company as Contact Man in Chicago area. German American Trade News, Box 988, 666 Fifth Avenue, New York, NY 10103.

German Speaking, American Law Student, (27), will graduate May 1981, Univ. of San Francisco Law School, BA Political Science cum laude Univ. of Calif.; 8 yrs. study of German incl. one yr. fellowship at Georg-August Universitaet, Goettingen 1975-76. Willing to travel/relocate after law school. Seeks information and ideas re job opportunities in law. Contact: Richard Baskin, 511 Fifth Avenue, San Francisco, CA 94118.

Real Estate Consultant/Managing Agent: extensive U.S. experience incl. consultant to city authorities. High educational background. Former European attorney, with many yrs. U.S. legal experience. Bilingual: German/English in language and law. Well-versed in high-level negotiations. German American Trade News, Box 995, 666 Fifth Avenue, New York , NY 10103.

Dipl.-Wirtsch.-Ing.: Junior Partner in management consulting firm. Twenty years of European and American business experience. Looking for international environment as Managing Director of subsidiary or as member of international management team. Please contact: German American Trade News, Box 992, 666 Fifth Avenue, New York, NY 10103.

Young German, (24), High School Grad., son of an entrepreneur in the food industry, with diversified commercial background and good command of English, seeks an opportunity to work with an American firm for about six months, preferably on the chain store sector. Salary is no essential issue. Please contact: Ruessmann, Hubertusstrasse 47, 5800 Hange, Federal Republic of Germany.

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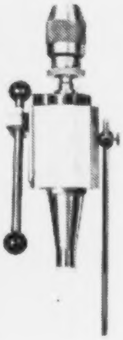

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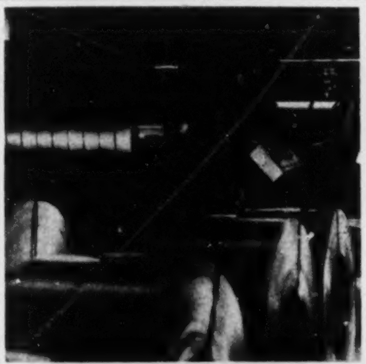

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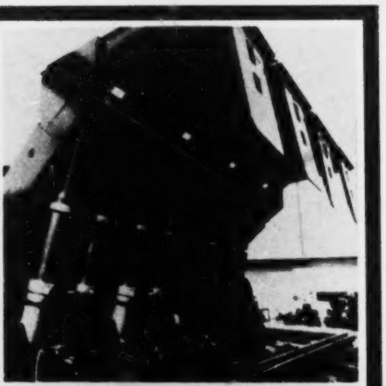

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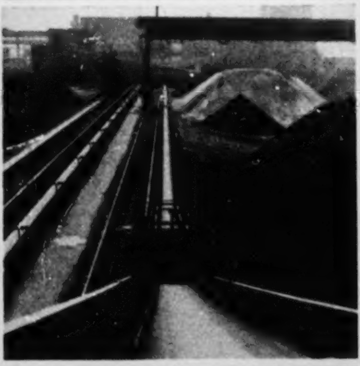

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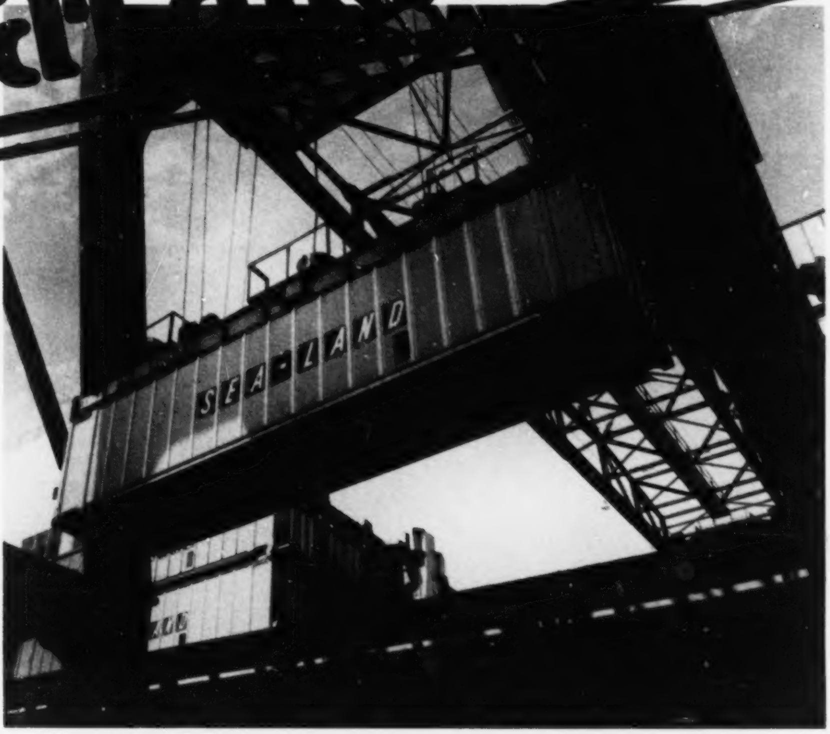

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